Dissemination of European Cinema in the European Union and the International Market

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Institut für Auslandsbeziehungen

uniFrance films
Promoting French cinema worldwide

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JACQUES DELORS INSTITUTE

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Josef Wutz
with the contribution
of Valentin Pérez

Foreword by Costa Gavras

STUDIES & REPORTS NOVEMBER 2014
106

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November 2014

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FOREWORD

By Costa Gavras

At a time when the European Commission has just announced its new Creative Europe programme, with a budget of €1.46 billion over seven years (2014-2020), and the application of the territorialised funding principle has been confirmed, this report by Josef Wutz, which was commissioned by the European think tank Notre Europe – Jacques Delors Institute, along with the German Institute for Foreign Cultural Relations (IFA) and UniFrance films (the French film export agency), deserves merit for raising the alarm (supported by figures between 2002 and 2014) over the distribution of European films in Europe and abroad.

To ensure that European, national, and regional authorities are fully aware of the critical issues at stake for our European movie industry and to ensure that this new Creative Europe programme remains effective and relevant in the seven years to come, we believe it would be useful, in light of this report dealing with ten years, to bring this matter to the attention of the leaders of European Union member states and European institutions as they are just being renewed in Spring and Autumn 2014.

Three ideas discussed in this report appear to us to be straightforward and vital steps to improving conditions for the circulation of European films:

1. *Providing better support to European movie theatres*
While the Europa Cinema Network, which comprises over 2,000 screens across 32 countries and attracts 60 million spectators annually (representing around 5% of total movie admissions) is an essential tool that must be further strengthened, state aid aimed at assisting theatres' transition to digital technology varies widely between European countries. In the vast majority of states, this support has not allowed for digital conversion, resulting in the closure of a large number of theatres, primarily those ensuring diversity in

movie programming. The disappearance of theatres represents a significant cultural loss as it severely jeopardizes the circulation of independent European and non-European films. Strong and decisive action to provide better support is critical for the ongoing development of a strong network of movie theatres in Europe that offers audiences films that reflect the richness of global movie production in all its diversity.

2. *Reinventing a regulatory system that is in tune with our economic and technological era*

As highlighted in the report, two key issues relating to the regulation of film distribution and exhibition are the multiple programming of a single film and the duration of theatrical release. The granting of state aid must be systematically accompanied by requirements governing the conditions in which films are exhibited, foremost among which is the limiting of multiple screenings and the multi-programming of films. The practice of withdrawing films from theatres without informing or obtaining the consent of distributors should also be prohibited. The need for increased funding support for the distribution of European films within and outside Europe must be addressed swiftly to ensure that the visibility of our films is not confined to their country of origin.

3. *Giving European productions a central place in public television programming and stimulating new distribution channels*

In today's world, in which media consumption is becoming more and more dispersed and delinearised, the challenge of ensuring the presence of European content on national public television is a longstanding concern, but one which is increasingly important. For this reason, public broadcasters must, to a greater extent than in the past, serve as platforms for the provision of cultural content. In parallel, associated tools and services must be developed to ensure that European cinema does not fall by the wayside as video-on-demand continues to prosper.

While there are more and more movie theatres around the world (130,000 screens at the end of 2012, with almost 10 new screens opening each day in China alone), and while there are endless ways we can view movies today (VOD, subscription VOD, connected TVs, and so forth), these new distribution windows do not, at this time, enhance the visibility of our European films. On the contrary, only content from the American majors plays a leading role on these new screens. Moreover, due to the absence of regulation (such as limiting the maximum number of screens on which a film can be viewed, which is an obvious prerequisite for guaranteeing a variety of movie genres and nationalities), the lack of cinematic diversity has become blatantly apparent across the globe.

Faced with the challenge posed by this increasing standardisation around the world, from the European Union to Brazil, China to Russia, it is only by providing additional support, notably in the distribution sector, combined with an effective and responsible regulatory system, that strong national movie industries will be able to truly flourish, strengthening the desire and demand for the diversity that typifies European cinema today (fiction, documentaries, animation, and so forth).

To ensure that this fight to uphold the principle of cultural exception that was negotiated some months ago as part of the Free Trade Agreement with the United States does not become a vain endeavour, we must join forces with determination to provide the necessary resources to facilitate the circulation of our films to audiences in all continents who, no matter what anybody may say, are eager for diversity.

Costa Gavras
Filmmaker and President of the Cinémathèque française

PREAMBLE

By Yves Bertoncini, Isabelle Giordano and Ronald Grätz

"Film does not only project pictures, it reflects the very picture of our society, with its values, habits, hopes and fears" – this quote from Wim Wenders underlines the importance of European cinema with regard to the way societies position themselves within and among individual European countries in order to promote mutual understanding and a common identity. Outside Europe, European cinema reflects the diversity of Europe in terms of current social issues. In this way, European cinema lays down a foundation for intercultural dialogue, both inside and outside Europe.

And yet the dissemination of national European film productions beyond the country's physical and language borders is severely limited, both within and outside Europe. Although the number of films produced in Europe has been growing for many years, this has not been matched by the market share of European cinema in other markets in Europe and around the globe. Every year, dwindling numbers of films are selling the lion's share of cinema tickets. This "blockbuster mentality" has also started to affect the art house sector, as is highlighted by the author of this report, Josef Wutz. At the same time, very few European productions are achieving success in other countries.

This report examines four European countries – France, Germany, Italy, and Spain – and involves a wide range of stakeholders in the film industry: producers, distributors and operators as well as video content providers and public film support institutions. Josef Wutz pulls together a wide range of statistics from the four countries in order to give a descriptive analysis of trends in cinema and screen numbers, along with production and sales figures. Based on this comprehensive analysis, the second part of the report includes recommendations and suggestions by Valentin Pérez on what needs to be done to improve the future dissemination of European cinema.

Digitisation offers undeniable advantages when it comes to simplifying the distribution process and ensuring the reproduction quality of European films, but at the moment many smaller cinemas cannot afford the necessary investment. This is especially important in light of the fact that it is generally smaller cinemas rather than multiplexes that show a higher percentage of European films. In the countries studied, with the exception of Germany, the cinema is still the location of choice when it comes to watching films.

What are the latest challenges facing European cinema? What is the market share of European films in the countries examined? Are there differences between countries in terms of exploiting films in multiplexes and art house cinemas? Which European films are breaking records in export markets?

This report is a joint project involving Notre Europe – Jacques Delors Institute, UniFrance films and ifa (Institut für Auslandsbeziehungen). We would like to take this opportunity to thank the authors of the report, Josef Wutz and Valentin Pérez, for their excellent work on this project. We would also like to thank our colleagues Mathilde Durand and Claire Versini from Notre Europe – Jacques Delors Institute (respectively editor and project manager), Xavier Lardoux (deputy director general of UniFrance films) and Sarah Widmaier (scientific coordinator of the ifa-research programme "Culture and foreign policy") for their assistance in the conception and editing of this project.

European cinema helps to make individual societies more understandable and accessible. In this study we have tried to make the mass of figures and statistics manageable and easy to understand in order to aid the development of strategies for strengthening the future dissemination of European cinema and the important cultural role that it has to play.

Yves Bertoncini, Director of Notre Europe – Jacques Delors Institute
Isabelle Giordano, Managing Director of UniFrance films
Ronald Grätz, Secretary General of ifa (Institut für Auslandsbeziehungen)

ABSTRACT OF THE REPORT *of Josef Wutz* AND RECOMMENDATIONS *of Valentin Pérez*

The aim of this report by Josef Wutz is to show the present dissemination of European cinema in Europe and worldwide. For this purpose four countries – France, Germany, Italy and Spain – will be studied in detail, taking into account all stakeholders in the film industry: filmmakers, distributors, cinema operators, video content providers and public film support institutions. Recommendations will then be made by Valentin Pérez with a view to strengthening the position of European cinema.

The focus will be on **four major trends** that are currently being faced by European cinema and that may present some serious challenges.

1. European productions at record level despite unchanged market share

918 full-length European films were produced in 2005. By 2011 this figure had risen to 1,321, but their share of cinema tickets sold remained unchanged at around 25 percent. The European film market is also characterised by a high degree of concentration. Just a few films achieve large audiences and many full-length films have difficulty attracting a wide audience.

This report shows how support is now available for film production at both national and European level in order to facilitate more intensive film creation. Nevertheless, the imbalance between support for production and support for distribution seems to be a hindrance to the easy circulation and optimum success of some film productions.

2. Digitisation of the cinema landscape

There is no doubt that new digital technology has many advantages when it comes to simplifying distribution and improving the projection quality of European films. However, the weakest cinemas, which are generally the smallest ones, have difficulties in funding such investments.

3. Preservation of artistic diversity and quality

This report highlights how the European film landscape owes one of its special features to the various art house labels that guarantee the artistic and cultural value of these kinds of films and cinemas. However, these labels remain confined to national level and are subject to different criteria in each country and different levels of subsidies.

4. New ways of consuming European films

Apart from in Germany, the cinema is still the preferred location for the exploitation of films, but there are now many new channels. There has been a decline in the DVD market, and this has not been compensated for by Blu-ray sales, but there has been a general increase in the popularity of Video on Demand (VoD), although this increase has been reduced by illegal downloads.

These new developments involve **costs that are partially paid for by national film support.** The level of such support varies from country to country. For example, in 2012 the German film support institution, the *Filmförderungsanstalt* (FFA), supplied funds amounting to €76 M (without support from the local German states) whereas the CNC (*Centre national du cinéma et de l'image animée*) provided €770.36 M. At European level, European film is on average subsidised to the tune of €70 M to €80 M annually under the MEDIA programme.

These bodies support every aspect including distribution, exploitation, the video sector, promotion, new technology and, above all, production.

More widespread dissemination of European cinema in European countries and in the rest of the world would be possible if markets and national support could successfully be adapted to meet the new requirements.

This report makes **four recommendations:**

1. Improve the balance between production support and distribution support

Film creation should continue to be supported by the individual institutions, whereas current inadequate support for distribution should be increased in order to safeguard the distribution of existing European films.

2. Support cinema operators and, in turn, regulate cinema programmes to ensure stronger representation of European cinema in Europe

All cinema operators should be helped to digitise their cinemas and art house cinemas should be guaranteed specific assistance. In return, operators must commit to making European films a central element of their programmes.

3. Stimulate new distribution methods in view of digital technology

VoD is a very promising platform that should be supported. As television is still very widespread throughout Europe, public television companies should be encouraged to include more European full-length films in their programmes.

4. Take into account the cultural contribution made by European cinema to Europe's image

It should be possible to make European cinema stronger in both cultural and financial terms. Filmmakers, producers, distributors and promotion companies should be aware of the fact that Europe's image, culture and values are conveyed through European cinema. In terms of quality, this is an added benefit that should not be undervalued.

METHODOLOGY AND OBJECTIVE

On behalf of Notre Europe – Jacques Delors Institute (Paris), ifa (Institut für Auslandsangelegenheiten, Stuttgart) and UniFrance films (Paris), the author Josef Wutz would like to provide a review of the market for European cinema and its recent developments. The results of national and pan-European statistical surveys are used to reveal current trends using the figures of the last ten years.

The primary sources are the results gathered by the European Audiovisual Observatory in Strasbourg over the course of many years. This report is based mainly on the *Yearbooks. Television, cinema, video and on-demand audiovisual services - the pan-European picture* of the years 2006, 2011 and 2013 and on the *FOCUS 2012, World Film Market Trends*. Together, these books contain the results gathered by the European Audiovisual Observatory over the past ten years.

In addition and for comparison purposes, the author has also evaluated and included figures and values published by national support institutions, organisations for film promotion, governments and private market analysts.

On the basis of a descriptive analysis, Valentin Pérez produces recommendations for future action, with particular reference to the impact and requirements of digital changes.

These recommendations have also been influenced by recent debates, in particular with reference to the EU's "Creative Europe" programme which was launched in 2014.

INTRODUCTION

There has never been a time when more cinema films have been produced in Europe than the present day, yet the number of viewers and box office receipts has remained at the same rather low level for decades. Although some countries produce films that bring in large domestic audiences, high box office receipts and ticket sales, with just a few exceptions they generally fail to reach the kind of international audiences that will guarantee their financial success. The European Audiovisual Observatory regularly publishes statistics that confirm that, taken as a whole, European film does not have any large-scale and economically relevant "exports", even within Europe.

It has long been recognised that there are many barriers preventing the dissemination of European audiovisual products, including different languages and cultures and low budgets for distribution, marketing and advertising. A number of new national, bilateral and European actions have been taken over the last twenty years and existing mechanisms have been strengthened with a view to overcoming or reducing these barriers.

But the current situation is still not particularly good and suitable improvements are required to meet the new requirements in the industry. These optimisation efforts are more topical than ever: at international level with the future Free Trade Agreement between the European Union and the USA, and at European level with the latest review of support for film and audiovisual works. These ongoing negotiations are intended to strengthen the European film industry.

Some countries are regularly proclaiming the success of their domestic production at home and abroad and claim to be breaking new records. So the aim of this report is to answer the question of whether these claims can be backed up by concrete figures.

It is even more difficult to say what consequences the extremely rapid pace of digitisation of film distribution has already had on the film industry as a whole or in part, or what consequences it will have in the future. The discussion between those affected and experts is in full swing and has not yet shown whether the advantages of this process outweigh the difficulties arising from the challenges. Representatives from the cinema operators tend to be pessimistic on account of the investment required and the economic problems affecting the euro area. Without funding from institutions, they see little hope of survival for a large proportion of the industry.

If their fears prove to be well-founded, then European cinema would lose a crucial market opportunity.

1. European cinema and its dissemination: an overview

In 2011 cinema box office takings in the European Union reached their highest level ever and remained steady at that level. At the same time, films made in European countries increased their market share from 25 percent to more than 28 percent[1]. This trend has also been observed by most of the national institutes for film promotion. In 2011 the share of American films in terms of revenues and cinema tickets sold was still over 60 percent, with audience figures remaining unchanged. Although in Europe cinemas continued to show more than 1,000 European films and "only" about 250 American films, the ratio has not changed over the past decades in the European market as a whole. However, a closer look reveals that the consumer behaviour of cinema audiences has changed since the 1990s and the early 2000s. Nowadays, a dwindling number of films is selling the lion's share of cinema tickets. This "blockbuster mentality" has now even affected the art house sector and applies equally to both national and international films. The following results show that these trends are evident in France, Germany, Italy and Spain.

1.1. European cinema – the latest developments

1.1.1. Record number of productions

2010 and 2011 saw record numbers of films being produced for cinema in Europe. Their numbers have grown steadily over recent years. The four big markets of France, Germany, Italy, and Spain are the pioneers in this respect. With a total of 498 national productions and 127 majority co-productions, they contribute some two-thirds of the total of 915 feature films that are made for cinemas in Europe. Purely national productions account for the increases, while the number of co-productions has remained stable apart from a few minor fluctuations. In Germany, the peak was reached back in 2009 after four near-record years. Since then production has dropped to around the average for the last ten years.

1. European Audiovisual Observatory, *Yearbook 2011*.

TABLE 1 ► Full-length film production in Europe, 2005-2011

	2005	2006	2007	2008	2009	2010	2011
Documentaries	208	230	242	298	299	337	370
Feature films	710	817	804	850	892	889	915
Total	918	1,047	1,046	1,148	1,191	1,226	1,285

Source: Observatory, *Yearbook 2011*; Observatory, *Press release* dated 14.5.2012.

Note: The figures for the period before 2005 were not used because they were incomplete.

TABLE 2 ► Full-length film production on the four big markets, 2002-2011

	PRODUCTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Spain	100% national	80	68	92	89	109	115	124	135	151	151
	Co-productions	57	42	42	53	41	57	49	51	49	48
France	100% national	106	105	130	126	127	133	145	137	143	152
	Co-productions	94	107	73	114	76	95	95	93	118	120
Italy	100% national	97	97	97	70	90	93	128	101	115	132
	Co-productions	33	20	41	28	27	30	27	32	27	23
Germany	100% national	39* (27)	54* (27)	60* (34)	91	117	119	125	142	118**	128**
	Co-productions	-	-	-	55	57	53	58	78	75**	77**

Sources: Observatory, *Yearbooks 2006 & 2011*; Observatory, *Focus*; SPIO; Ministerio de cultura, *El cine y el video en datos y cifras*; ANICA, *Il Cinema italiano in numeri, anno solare 2011*; CNC, *Bilan 2011*.

* Feature films only, documentary films in brackets (no information on co-productions).
** Estimated. For these years there was no detailed (or only provisional) information on co-productions for documentary films.

1.1.2. Maintaining and consolidating cinemas

The number of cinemas in Europe has remained the same over the last two years and in 2011 numbers only dropped by 90 to 29,620 (-0.3 percent). However, there are several different trends within Europe. In Germany only a few more cinemas were shut down than were opened, whereas in Spain many more cinemas were shut down than opened[2]. The stability that at first seems to apply for Europe as a whole is actually at the cost of art house cinemas with

2. European Audiovisual Observatory, *Focus 2012: World film market trends*.

more challenging programmes. In fact, multiplexes are on the advance and art house cinemas on the decline across the whole of Europe. The traditionally strong art house markets of France and Spain have shown a particular decline in the number of art house cinemas or in their audience share and revenues.

In addition, there has been a rapid increase in cinema digitisation. At the beginning of 2013 more than 55 percent of all projections were digital. The highest number of digital cinemas can be found in some of the smaller markets. For example, in Luxemburg and Norway 100 percent of cinemas are digital, in Denmark more that 99 percent, in Belgium 96 percent, and in Portugal, the Netherlands and Austria 70 or around 70 percent. Of the larger markets, the UK comes out top with 92.8 percent (3,544 screens), followed by France with 91.1 percent (5,016 screens). Germany (67.5 percent), Italy (65.2 percent) and Spain (44.9 percent) have some catching up to do[3].

TABLE 3 ► Digital screens in the large European markets, 1.1.2009-31.01.2013

COUNTRY/ YEAR	JAN. 09	JUNE 09	JAN. 10	JUNE 10	JAN. 11	JUNE 11	JAN. 12	JUNE 12	JAN. 13
France	253	598	904	1,262	1,885	2,709	3,656	4,397	5,016
United Kingdom	303	432	667	997	1,397	2,033	2,724	3,216	3,544
Germany	162	208	566	738	1,238	1,909	2,303	2,500	3,134
Italy	80	183	434	609	912	1,040	1,519	1,815	2,121
Spain	50	162	252	412	770	1,022	1,545	1 750	1,800

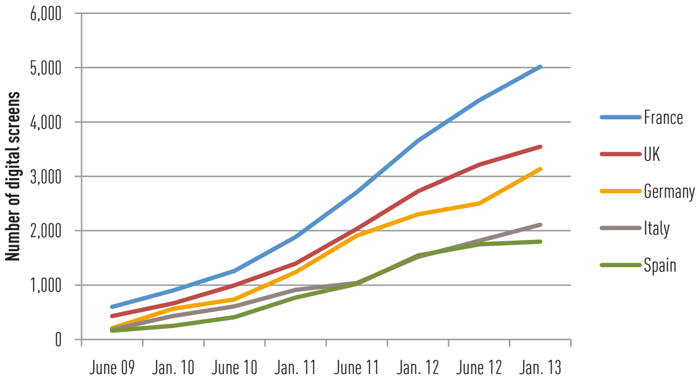
Sources: MEDIA Salles, *Cinema Yearbook 2012*; Observatory, *Yearbook 2013*.

The latest data suggests that the speed with which digitisation takes place will be a decisive factor in whether and where cinemas will exist in the future. The radical decline in 35 mm films from large international distributors and, as a consequence, from national distributors in large countries, means that traditional print businesses are losing their livelihoods. This has significant consequences for smaller countries where cinemas do not have the necessary capital for digitisation and their governments lack the funds to provide comprehensive

3. *Ibid.*

support. The following diagram shows the different speeds of digitisation in the five countries.

DIAGRAM 1 ► Digitisation in France, Germany, Italy, Spain and the UK, 2009-2013



Sources: MEDIA Salles, *Cinema Yearbook 2012*; Observatory, *Yearbook 2013*.

1.1.3. Stable screen numbers – shift towards multiplexes

Overall, the number of screens in European cinema theatres has remained constant since 2007. But this does not mean that no cinemas or cinema screens have been shut down. The fact that the number of screens in multiplexes has increased during the same period inevitably means that screens in non-multiplexes must have been lost.

TABLE 4 ► Screen number in Europe, 2001-2011

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
27,398	28,221	28,735	28,727	29,562	29,467	29,703	29,726	29,740	29,719	29,626
								of which digital	8,768	15,910

Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2012*, partial estimate.
Note: Until 2006, EU25.

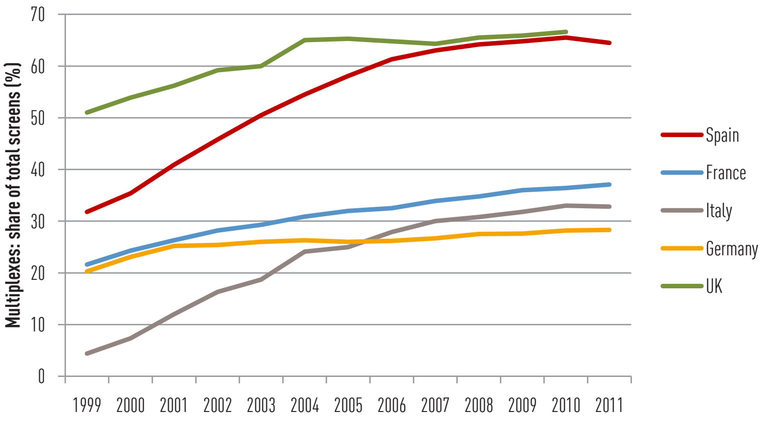
TABLE 5 ► Multiplexes, share of total screens (in percent), 1998-2011

COUNTRY/ YEAR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Spain	21.4	31.8	35.4	40.9	45.8	50.5	54.5	58.1	61.3	63.0	64.2	64.8	65.5	64.7
France	17.3	21.6	24.3	26.3	28.2	29.3	30.9	32.0	32.5	33.9	34.8	36.0	36.4	37.1
Italy	3.1	4.4	7.36	12.0	16.3	18.7	24.1	25.0	27.9	30.0	30.8	31.8	33.0	32.8
Germany	17.7	20.3	23.1	25.2	25.4	26.0	26.3	26.0	26.2	26.7	27.5	27.6	28.2	28.3
Compared with:														
United Kingdom	46.3	51	53.9	56.2	59.2	60.0	65.0	65.3	64.8	64.3	65.5	65.9	66.6	–

Sources: MEDIA Salles, *Cinema Yearbook 2006-2011*.

Note: Data not available for the UK in 2011.

DIAGRAM 2 ► Multiplexes, share of total screens, 1998-2011



Sources: MEDIA Salles, *Cinema Yearbook 2006-2011*.

Note: Data not available for the UK in 2011.

1.1.4. Stable audience figures – shift towards multiplexes

Statistics reveal that the EU cinema market has been generally stable over the past few years. For three consecutive years, more cinema tickets were sold than the annual average since 2001. However, the results of 2001, 2002 and 2004 with more than one billion cinema admissions each year have never been matched since. The trends in the various national markets are also very different.

TABLE 6 ► Cinema admissions in Europe, 2001-2012

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	MOYENNE
999.4	1,005	955	1,006	899	932	921	926	982	963	962	966	959.7

Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2012*, partial estimate; CNC, *Bilan 2012*.

Note: Until 2006, EU25.

Throughout Europe, the majority of cinema-goers tend to head for multiplexes, i.e. cinemas with eight or more screens. In the four countries surveyed in detail in this report the share of revenues for multiplexes is on average twice as high as their share of screens.

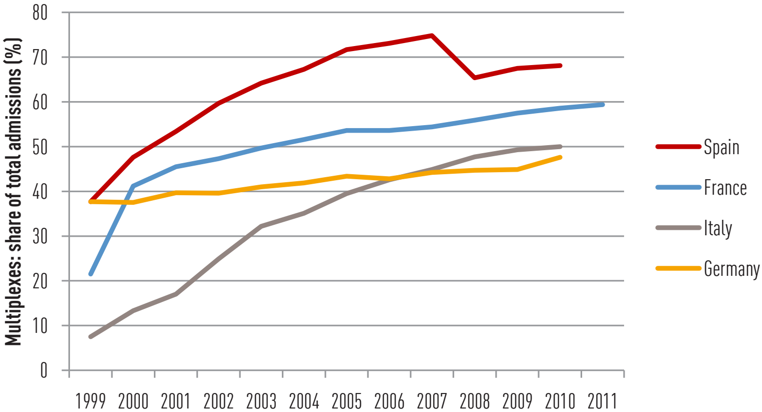
TABLE 7 ► Multiplexes, share of total admissions (in percent), 1998-2011

COUNTRY/ YEAR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Spain	29.8	37.7	47.6	53.4	59.7	64.2	67.3	71.7	73.1	74.8	65.4	67.5	68.1	–
France	17.3	21.5	41.2	45.5	47.3	49.7	51.6	53.6	53.6	54.4	55.9	57.5	58.6	59.4
Italy	4.32	7.48	13.3	17	24.9	32.2	35.1	39.5	42.6	44.9	47.7	49.3	50	–
Germany	29.4	37.7	37.5	39.7	39.6	41	41.9	43.4	42.8	44.2	44.7	44.9	47.6	–

Source: MEDIA Salles, *Cinema Yearbook 2006 & 2011*.

Note: The MEDIA Salles figures do not always agree with national data. For example, in Spain the *Ministerio de Cultura* stated that 56 percent of all screens in 2010 were in multiplexes. However, according to the MEDIA Salles *Yearbook*, they have 65 percent of all screens. The reason for this difference could not be clarified before going to print.

DIAGRAM 3 ► Multiplexes, share of total admissions (in percent), 1998-2011



Note: The MEDIA Salles figures do not always agree with national data. For example, in Spain the *Ministerio de Cultura* stated that 56 percent of all screens in 2010 were in multiplexes. However, according to the MEDIA Salles *Yearbook*, they have 65 percent of all screens. The reason for this difference could not be clarified before going to print.

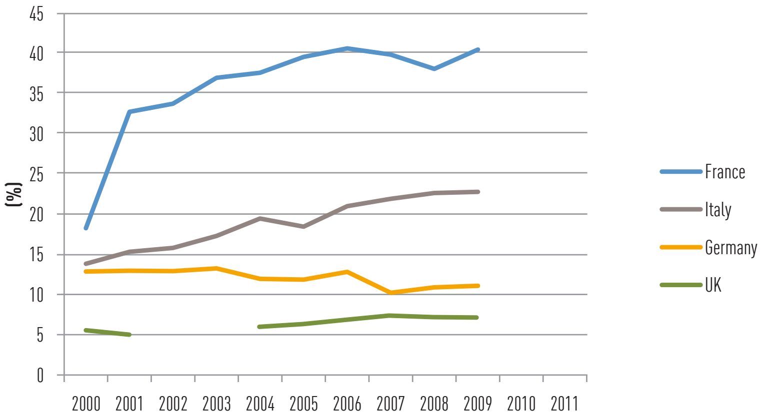
1.1.5. Art house cinemas

Art house cinemas have a special role to play – and not just because of their special film programmes. Their share of total screens differs greatly across the various countries of Europe. France comes out top in numbers of screens according to information published by MEDIA Salles. In 2012 around 40 percent of all screens in France were "art house screens". Italy is next with around 20 percent. In contrast, the share in the other two big markets, Germany and the UK, is only around 10 and 7 percent.

However, the figures published by MEDIA Salles for Germany do not always agree, or no longer agree, with those published by the *Filmförderungsanstalt* (FFA). This is primarily due to the fact that art house cinemas in Germany categorise themselves as such, and before 2009 the number of forms returned in surveys was very much lower than in 2010/2011. According to the current statistics published by the FFA, cinema operators in Germany consider about 17 percent of all German screens to be "art house screens".

Figures for Spain are not available. According to Borja de Benito Porto – press officer at the national association of cinema theatre operators, the FECE (*Federación de Cines de España*) – even the FECE did not have any details on the importance of art house cinema at the end of September 2012. This is because the ministry responsible for these statistics does not differentiate between cinemas and their takings.

DIAGRAM 4 ► Art house cinemas, share of screens in national markets, 2000-2011



Source: Observatory, David Steele, presentation in Leipzig in Sept. 2012 based on information published by MEDIA Salles.

Note: Approximate percentages of art house cinemas in other EU countries in 2008/2009: Netherlands 13 percent, Belgium 7 percent, Denmark 6 percent, Finland 3 percent, Austria 2 percent.

Box office takings reveal that art house cinemas' share of the total number of screens does not reflect their share of domestic box office takings. On the contrary, the share of art house screens in box office takings is about 40 percent lower in France. In Italy and Germany it is about 25 percent lower and, in contrast, in the UK it is about 130 percent higher than the density of screens would suggest.

Overall, it can be said that European art house cinemas account for a limited but still substantial share of box office takings. It should however be remembered that there are many different definitions, criteria, and assessment and allocation methods.

TABLE 8 ► Share of total art house admissions and share of art house screens, 2012

LARGE COUNTRIES*	SHARE OF ART HOUSE ADMISSIONS	SHARE OF ARTHOUSE SCREENS
Germany	12.6%	17%**
UK	17.5%	7.5%
France	24.5%	40%
Italy	16.0%	22%

* Figures for Spain are unavailable because "non art house cinemas" are not assessed separately. France assesses on the basis of box office takings for art house films.
** Corrected information according to FFA report in September 2012.

Source: Observatory, David Steele; FFA; CNC; BFI; FES.

1.1.6. Independent distributors

Film distributors for art house productions and non-mainstream European films – called "independent distributors" in this report – have to face a number of obstacles in addition to the normal marketing problems.

Ever-growing numbers of films are being released, with more and more prints. This results in more cinemas filling their seats, but also in a more rapid turnover of films. According to information supplied by "Distributeurs indépendants réunis européens" (DiRE) in the *Livre blanc 2012*, this means that on average there is less time for individual films to develop and establish themselves in the market. This is particularly fatal for non-mainstream films, which cannot attract audiences with advertising campaigns because of their low marketing budgets. Instead they have to rely on word-of-mouth marketing and film reviews in the press and on radio and television.

This trend is confirmed by figures provided by the Centre national du cinéma et de l'image animée (CNC) in its *Bilan 2011*. In France the total number of films shown in cinemas from 2002 till 2011 increased by 25 percent (from 487 to 595), but films with 200 to 500 prints increased by 52 percent (from 87 to 132). During the same period, American films that were released in France increased their average number of prints from 203 to 255, or 26 percent.

On the other hand, a growing number of films are being released with no more than ten prints. According to the CNC, in 2011 alone these amounted to 137 films, of which 109 (80 percent) bore the “art-et-essai” quality seal. Two-thirds of all documentary films were also released with less than ten prints.

1.1.7. Rise in box office takings

Although the number of cinema tickets sold – so audience numbers – has remained almost constant over the past ten years, box office takings have risen considerably due to the increase in admission prices.

This increase in admission prices is the only steady trend in most countries – and it is an upward trend. In Europe, ticket prices increased by an average of 24.7 percent from 2001 to 2011. This trend was similarly strong in all EU countries, although there are still structural price differences. For example, admissions are cheaper in France, Spain and Italy compared with the European average, whereas they are more expensive in Germany, Finland, Denmark and the UK.

According to results published by the European Audiovisual Observatory based on investigations in the UK and France, cinema theatres currently account for 25-50 percent of all revenues from film exploitation.

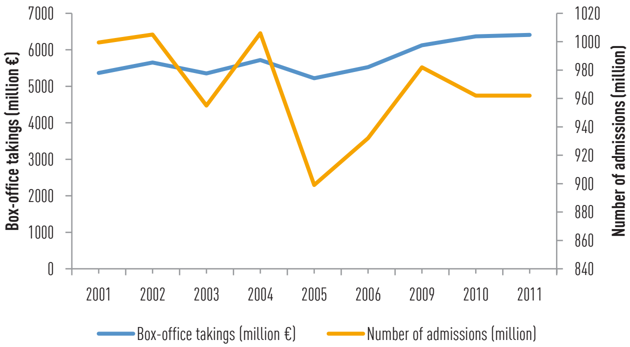
TABLE 9 ➤ **Changes in admission price, box office takings and number of admissions, 2001-2011**

	2001	2002	2003	2004	2005	2006	2009	2010	2011	+/– compared with 2001
Admission price (€)	5.37	5.61	5.59	5.68	5.81	5.93	6.24	6.67	6.70	1.33
Evolution of admissions price compared with previous year (%)	100	1.04	1.06	1.06	1.08	1.10	1.16	1.24	1.247	24.7
Box-office takings (million €)	5,365	5,652	5,354	5,721	5,220	5,524	6,125	6,370	6,410	1,048.24
Evolution of box-office takings compared with previous year (%)	100	105.35	99.79	106.64	97.30	102.96	114.17	118.73	119.53	19.5
Number of admissions (millions)	999.4	1,005	955	1,006	899	932	982	962	962	- 37.4
Evolution of number of admissions compared with previous year (%)	100%	101	96	101	90	93	98	96	96	- 4

Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2011*.

Note: 2002 to 2004: EU25, 2005 to 2010: EU27; 2001 estimated in part; 2011 provisional.

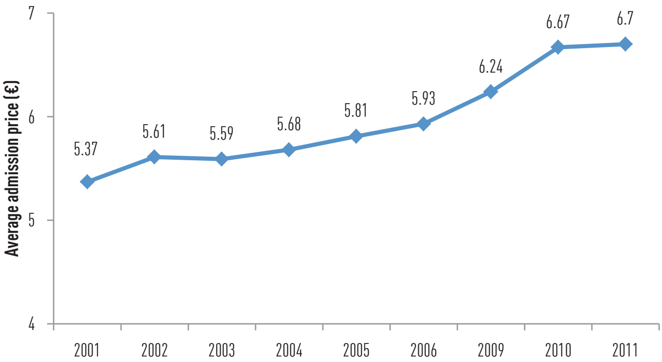
DIAGRAM 5 ➤ **Changes box office takings and number of admissions, 2001-2011**



Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2011*.

Note: 2002 to 2004: EU25, 2005 to 2010: EU27; 2001 estimated in part; 2011 provisional.

DIAGRAM 6 ► **Changes in admission price, 2001-2011**



Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2011*.

1.1.8. Market share of films from European countries

According to figures published by the European Audiovisual Observatory, in 2011 European cinema won back the position that it had lost in the two previous years due to the new attraction of 3D films. Its share of the European market increased from 25.2 percent to 28.5 percent. On the other hand, the share of American films decreased to an estimated 61.5 percent – the lowest level since 2001. However, there was also an increase in the share of European films that were produced in Europe but with American finance. This share stood at 8.5 percent at the end of 2011 (films such as *Harry Potter and the Deathly Hallows - Part 2* and the *The King's Speech*).

The relative strengthening of European cinema was largely thanks to a number of nationally successful comedies that attracted large numbers of viewers, particularly in home markets. But growth was patchy: in 15 of the 23 European Union member states for which data was available the domestic market share increased and in eight of these countries even reached its highest level for five years. But the remaining eight countries saw their share declining.

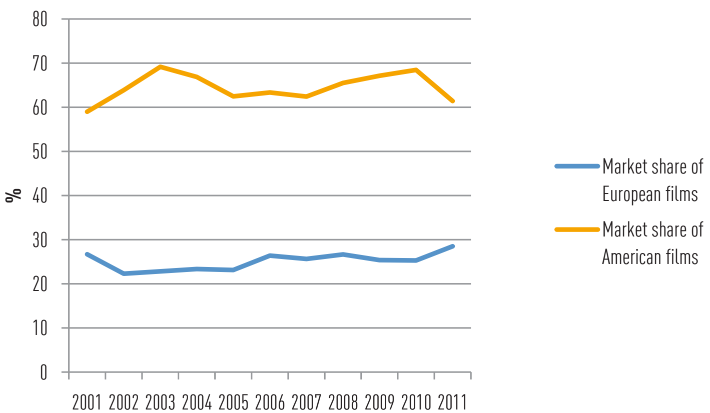
TABLE 10 ➤ Market share of European and American films in Europe, 2001-2011

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	AVERAGE
EU Films	Share (%)	26.70	22.29	22.83	23.36	23.14	26.39	25.62	26.67	25.36	25.30	28.50	25.11
	Number of admissions (millions)	267	224	218	235	208	246	236	247	249	243	274.17	240.64
US Films	Share (%)	58.98	63.87	69.17	66.86	62.46	63.34	62.44	65.50	67.13	68.47	61.40	64.51
	Number of admissions (millions)	589	642	661	673	562	590	575	607	659	660	590.67	618.90

Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2011*.

Note: 2002 to 2004: EU25; 2005 to 2011: EU27.

DIAGRAM 7 ➤ Market share of European and American films in Europe, 2001-2011



Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus 2011*.

Note: 2002 to 2004: EU25; 2005 to 2011: EU27.

Particularly as a result of their large domestic audiences, French films alone were responsible for some 10.5 percent of all cinema admissions for European productions. So French cinema retained its number one position, followed by Italy with 4.6 percent, and Germany and the UK each with 3.7 percent[4].

4. European Audiovisual Observatory, *Focus 2012: World film market trends*, Press release.

1.1.9. Internal European exports

Exports of films to other European countries are somewhat weak. No national cinema achieves two-digit figures for share of admissions or box office takings in another market, and even the one-digit figures are low. The exceptions are Belgium and Switzerland, where a large number of French films are shown because they have French-speaking regions. This also applies to German productions in Austria, although the figures are at a lower level.

However, films from many European countries do manage to achieve a very high proportion of their total ticket sales in other parts of Europe, and indeed for some this can amount to over half of total sales. This was true in 2005 to 2010 for Austria (37 to 77 percent), Belgium (50 to over 60 percent), the UK (58 to 68 percent), Romania (40 to almost 90 percent) and Sweden (15 to over 60 percent). In other countries this share varies between 20 and 30 percent (Germany, France, Lithuania, Slovakia, Denmark and Spain). However, the absolute number of tickets sold is relatively low for the countries with a high share in other European countries. For example, films from Austria sold only between 1 M and 1.9 M tickets each year in other European countries; films from Belgium 1.6 M to 5.5 M and films from Romania between 0.1 M and 1.1 M.

In contrast, countries whose films had a low share of foreign ticket sales sold many more tickets in total. This is particularly true for “big” countries such as Germany (30 M to 40 M tickets), France (80 M to 110 M), the UK (20 M to 50 M) and Spain (15 M to 25 M). For Italy the share of tickets sold abroad fluctuates wildly but has been extremely low for such a large country since 2007 (4.7 to 10.7 percent). But these figures still show that between 25 M and 35 M viewers were being attracted every year by Italian productions.

1.2. Home video

1.2.1. The interplay of DVDs, Blu-ray discs (BDs) and VoD

According to publications from the "International Video Federation" (IVF), in 2011 there was a decrease in the "physical" number of sales and rentals of DVDs for the seventh consecutive period. The decline in the various countries ranged from 2 percent (Germany) to over 20 percent (Spain). Across Europe as a whole the decrease was approximately 9 percent. In contrast, the number of Blu-ray discs sold in Europe increased by 30 percent. It is also remarkable that the number of households with Blu-ray players increased at an even greater rate during the same period.

In **Germany** in 2011 alone, the decline in DVD sales was compensated for by the increase in sales of BDs and "Electronic Sell-Through" (EST).

In the **UK**, the biggest home video market in Europe, there have been decreases in both number of units sold (approximately – 7 percent) and revenues (approximately – 4 percent).

In **France**, revenues and the number of physical units sold dropped after two years of relatively constant figures (approximately – 9 percent). But France's VoD market is more advanced than anywhere else in Europe. Digital video sales increased in total by almost 25 percent to over €330 M. It is developing into a serious competitor for other home entertainment options.

In **Italy and Spain**, total revenues for DVDs and BDs dropped strongly, by 16 percent and 25 percent respectively despite a tremendous increase in Blu-ray sales.

These two parallel trends – the decrease in sales on the DVD market and the strong increase in sales of BD and EST – can also be observed in all other European countries. The IVF assumes that physical video will continue to be a preferred sales format for consumers for some time despite the many changes in the video sector[5].

5. International Video Federation (IVF), *European Video Yearbook 2012*.

1.2.2. Video piracy – a crime with economic consequences

As with brand piracy in general, for many years the circulation of illegally burned DVDs has been a major concern for trade unions, criminal prosecution authorities and politicians all over the world. The affected copyright owners and their representative organisations point out that such unpaid consumption incurs financial losses amounting to billions of euros. They are urgently calling for effective legislation to protect intellectual property. On the other side, defenders of this practice warn of the risks of excessive surveillance that can result in censorship of freedom of opinion and freedom of speech.

Video piracy has many forms. The illegal copying and circulation of DVDs – sometimes even before the film is released – has now largely been replaced by distribution via the internet, which has been made easier and more global thanks to digitisation and broadband connections. File-sharing sites have also become very popular, where friends can legally “lend” each other films they have purchased.

It is difficult to persecute offenders because of the relative anonymity of online transactions, legal loopholes and the fact that some nations do not seem to take the battle against illegal activities seriously.

The American government has set up a separate institution, the United States Trade Representative (USTR), to enforce and manage the copyright and other intellectual property rights of American manufacturers around the globe. In its annual *Special 301 Report* it lists the degree of infringements in the observed countries and uses various categories to put the nations on a Priority Watch List and a Watch List. Depending on the severity of the infringements and if no action is taken against copyright infringements, the USA can threaten the country with penalties and even economic sanctions. Even some European countries appear on these lists. Whereas Spain was taken off the list in 2011 on account of its recent efforts to combat internet piracy in the form of the recent Sinde Law (*Ley Sinde*), Italy is still the focus of American accusations that no rigorous action is being taken to combat the illegal use of videos. This is also the opinion of Univideo, the Italian union of audiovisual publishers[6].

6. Univideo, *European Video Yearbook 2012*.

Piracy is seen as one of the causes for the decline in the sales of DVDs and for the slow advance of VoD. However, no definite figures can be found to assess the amount of damage – neither in the most recent annual reports from the International Video Federation nor in reports from its national member associations. In particular, there is no information available about whether European films are as affected by piracy as US productions.

On 30 September 2011 the American Assembly of Columbia University in New York put forward the theory that European films are only marginally affected by piracy: “At present, the most important EC and EU-country interventions in regard to distribution are in the area of IP enforcement. This is a serious mistake because the piracy debate is a distraction. Piracy is fundamentally a sign of demand. Because demand for European movies is low, there is very little piracy of them.”[7]

To back up this statement, its author, Joe Karagnis, published figures that he found on the Torrentfreak news website concerning downloads from Bittorent. In the opinion of most experts, this is the most popular and most used illegal film sharing site. The figures refer to the first half of the month of July 2011 only but Karagnis believes they clearly show that 74 of the 99 top downloaded films are purely Hollywood productions and only three are purely European productions (although, with a further two purely national productions, it does not seem to count the UK as being part of Europe).

However, the illegal circulation of American films in Europe is also thriving at the expense of European cinema operators and – at least in part – at the expense of European distributors and other holders of property rights. Even though the absolute number of illegal downloads and video copies of European productions is “only small”, it still severely damages their financial success.

7. Joe Karaganis, *A Contribution to ‘Assessing State Aid for Films and other Audiovisual Works’*, 30.09.2011.

1.3. TV

In 2011 there were 7,613 television channels operating in the EU. More than 400 of these channels offer exclusively cinema films (not TV films).

Thanks to the expansion of the broadband cable network, there has been widespread digitisation of TV in the EU. At the end of 2011 more than 70 percent of European households were connected to broadband. However, according to a press release of April 2012 in "digital TV research" experts do not expect full provision until 2017. Of the big European markets, Spain is already 100% digital, France and the UK more than 95% and Italy more than 80%. It is only in Germany that more than a quarter of all households do not have access to broadband cable.

According to another press release from "digital TV research" in July 2012[8], some 200 largely free-to-view European TV stations imported more than 18,000 feature films at a cost of over $4 billion. They broadcast about 96,000 hours of programmes from this pool. So year-on-year figures remained fairly constant, according to "digital TV research". Around one quarter of the imports went to Germany and only 7 percent to France. More than 70 percent of these imports were delivered by the six American major networks.

According to "digital TV research", pay TV has also contributed to the growing film offer thanks to digitisation. But it is doubtful whether this results in additional or increased revenues for filmmakers because of competition from the technically fairly simple and cheap internet-based method of streaming (IPTV). Quite the opposite is true for the future of on-demand TV where market researchers expect a twofold increase in revenues in the next few years.

Statistical analyses of television are usually carried out by private market research companies in the individual European countries and are intended "for internal use" by the commissioning companies. The results are rarely made available to the public.

8. Digital TV research, "Imported feature films create $4 billion for European broadcasters", Press release, 18.07.2012.

If the European distributor associations can be believed, programme purchases by TV stations have steadily declined over the past decade. In place of cinema films there has been an increase in own productions by TV stations and television/film co-productions. Apart from in France, this has resulted in TV stations having more influence on the production of cinema films in terms of content and artistic and financial aspects, especially in Germany.

1.4. Digitisation in European cinema: opportunities and challenges

Although many cinemas are still not equipped for digital projection, digital distribution has become irreversibly established in Europe. Film production has long since made the switch to the digital storage of audiovisual information on set and in the studio. This has created new technical possibilities, easier handling and a reduction in costs. More and more films, including (almost) all films from American and larger European distributors, are now only supplied in digital form. Even smaller distributors with "smaller" films only offer 35 mm in addition to the "Digital Cinema Packages" (DCP) as an exception. This development brings with it a string of consequences for cinema film distribution.

1.4.1. Physical distribution

Physical distribution has already started to decline in favour of downloads, which are faster, cheaper and better quality. The consequence is a decrease in the number of service providers and employees in film warehouses and transport companies, a trend that is likely to intensify still further.

1.4.2. Cinemas

Digitisation represents a considerable investment for cinemas. In contrast to major investments in the past (for example, the introduction of Dolby sound systems), digitisation involves a specific, immediate and expensive conversion.

1.4.3. Enforced standardisation by the major US distributors

The speed and brutality with which new ideas are imposed can be seen in the Paramount ultimatum. In June 2011 Paramount France decreed that no cinema with digital projection that could not supply the DCI Certificate (Digital Cinema Initiative Certificate) for its projectors by 7 December 2011 would continue to be supplied with films or access codes for the hard disk.

Behind this was the obligation of cinemas to fulfil the standard that the major US distributors had already set back in 2005. French lawmakers passed this into French law on 30 September 2010 (Law No. 2010-1149). The same law obliges distributors to pay a virtual print fee (VPF), which they had to pay in a film's first two weeks of showing as a contribution towards the cinemas' digital conversion costs.

The International Confederation of Art Cinemas (CICAE, from the French Confédération Internationale des Cinémas d'Art et d'Essai) has strongly criticised this obligation. "Digitisation is made extremely expensive by the DCI specification. This was defined by seven Hollywood studios. [...] Digitisation is becoming an instrument to make the cinema market smaller because the investment costs to operate cinemas are becoming too high for many independent cinemas. This affects in particular art cinemas with a large market share of European films. [...] The digitisation of cinemas as still required in the DCI Hollywood format is a programme to destroy small independent cinemas showing European films because it is much too expensive for the vast majority of European art cinemas. In many regions of the world cheaper digital technology is being used successfully in cinemas. In Europe, however, not enough attention is being paid to the economic and cultural dominance of the major studios in Hollywood with the negative implications for cultural diversity"[9].

The European Commission also made it explicitly clear in its 2010 publication on digitisation that technological neutrality is necessary: "The European Union will further examine how to seize the opportunities offered by the

9. Confédération internationale des cinemas art-et-essai (CICAE), *Prise de position*, 2011.

standardisation process. The aim is to ensure that the necessary flexibility is guaranteed to enable all viable cinemas in Europe to use digital projection."[10].

TABLE 11 ► Digital screens in Europe according to country, 2009-2013

	2009		2010		2011		2012		2013
COUNTRY	1 JAN.	30 JUNE	1 JAN.	30 JUNE	1 JAN.	30 JUNE	1 JAN.	30 JUNE	1 JAN.
Andorra	–	–	–	–	2	3	3	3	3
Austria	84	128	239	258	306	370	393	426	508
Belgium	98	114	144	220	331	400	427	475	480
Bulgaria	17	19	23	29	57	77	77	90	101
Croatia	7	7	8	9	9	61	90	97	100
Cyprus	-	1	6	6	15	15	18	21	21
Czech Republic	2	25	50	75	133	175	299	341	383
Denmark	10	15	25	72	137	176	286	349	392
Estonia	2	2	5	6	13	15	18	18	18
Finland	12	27	48	59	86	123	180	250	250
France	253	598	904	1,262	1,885	2,709	3,656	4,397	5,150
Germany	162	208	566	738	1,238	1,900	2,303	2,500	3,134
Greece	8	15	31	31	59	63	75	84	81
Hungary	7	20	31	40	56	100	159	204	250
Iceland	7	7	7	10	14	17	28	29	35
Ireland	38	47	112	127	142	162	192	229	285
Italy	80	183	434	609	912	1,040	1,519	1,815	2,112
Latvia	2	2	3	4	11	14	16	18	28
Lithuania	-	4	5	6	13	14	18	24	21
Luxembourg	21	22	22	22	24	27	33	33	34
Malta	2	2	2	3	6	6	6	6	22
Norway	48	58	61	94	268	415	425	425	415
Poland	53	82	177	266	324	390	592	790	827
Portugal	44	51	181	259	317	343	387	410	392

10. European Commission, *Communication on opportunities and challenges for European cinema in the digital era*, COM (2010)487, 24.09.2010.

Romania	14	24	40	47	61	77	111	120	136
Russia	90	161	351	525	941	1,179	1,485	1,632	2,100
Serbia	–	2	6	6	7	7	13	13	35
Slovakia	–	4	10	24	36	45	75	98	113
Slovenia	9	9	9	17	16	17	17	17	18
Spain	50	162	252	412	770	1,022	1,545	1,750	1,800
Sweden	8	20	38	93	153	201	272	487	634
Switzerland	28	41	60	90	139	248	315	414	494
The Netherlands	56	77	105	160	252	400	540	730	808
Turkey	20	33	62	104	205	240	266	278	360
United Kingdom	303	432	667	997	1,397	2,033	2,724	3,216	3,544
Total	**1,535**	**2,602**	**4,684**	**6,680**	**10,335**	**14,084**	**18,566**	**21,789**	**25,084**

Source: MEDIA Salles, *Cinema Yearbook*.

1.4.4. Subsidies for digital conversion

Some European countries provide public funds for digitisation of their cinemas.

One of the pioneers in this respect was once again **France**, which so far provides the most extensive range of subsidies. The CNC is responsible for the financial support of the weakest cinemas in the form of a subsidy for conversion (in accordance with Decree No. 2010-1034, published on 2 September 2010). Only cinemas with a maximum of three rooms are entitled to this subsidy and they must not belong to any chain with more than 30 screens.

Germany also made resolutions to support cinemas with low revenues, known as *Kriterienkinos* [genre cinemas] that show art house programmes. They have at most six screens and annual revenues of €40,000 to €180,000 per screen. The subsidy is an allowance and amounts to a maximum of 25 percent of the costs that are eligible for subsidy (€72,000). Cinemas that operate in a town with fewer than 20,000 inhabitants or that focus their programmes on German or European films can claim a higher allowance. These subsidies are subject to the *de minimis* rule, as support for cinemas is not currently borne by the European Commission, unlike production and distribution.

In the **UK** too, funds have been made available for British cinemas, but to a much more limited extent.

In **Italy**, after cuts in film funding, support has been limited to special write-offs of investments against profits made by cinema operators. But there is inadequate support for small and medium-sized cinemas.

According to a CICAE publication in December 2011 the situation is particularly grave in **Eastern European countries**. There is no public funding at all for digital conversion in Bulgaria, Estonia, Latvia, Lithuania, Croatia, Hungary, Slovenia and Slovakia. In Poland, a funding programme has been agreed upon but not yet implemented because the funds that are to be made available by television have not yet been paid out. The support programme in the Czech Republic pays for a maximum of 50 percent of the digitisation costs but disadvantages those cinemas whose revenues are not high enough. According to CICAE, the lack of funding programmes or their inadequacies have resulted in a decline in European films on cinema programmes – even in cinemas that are members of the *Europa Cinemas* network.

A survey by MEDIA Salles revealed that 25,255 screens or 70 percent of all European cinemas have been digitally converted after a rapid investment boom from 2009 at the beginning of 2013.

1.4.5. "Virtual print fee" (VPF) and "third parties"

Third party contracts have led to an alternative way of funding. Various third party suppliers commit themselves to pre-finance the investment needed for the digitisation of cinemas and, in return, they receive a "virtual print fee" (VPF) for the initial three to six weeks after the release of a film. Distributors are thus involved in funding digitisation and the third party suppliers earn commission.

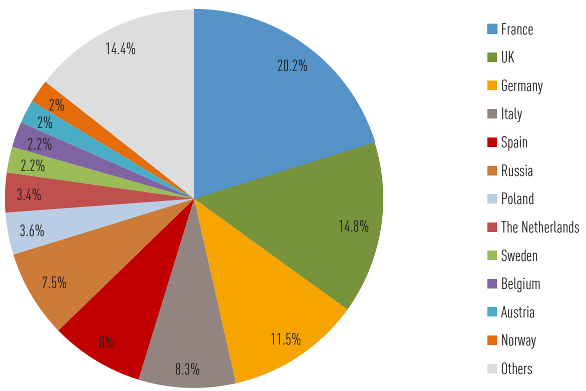
This system is used by large national and international chains and multiplexes in large and medium-sized towns. In contrast, independent cinemas, which are small and art house cinemas or cinemas in rural areas cannot use this method of funding as it is more difficult for these cinemas to guarantee the VPF.

Surveys published by MEDIA Salles in 2009 and 2010 confirm this trend and highlight the small share of digitised cinemas among single-screen cinemas, at 11 percent, compared to the 40-90 percent of multiplexes that have at least one digital screen, according to their size. Even at that time, 25 to 35 percent of their screens had already been converted.

However, these one-screen cinemas are not only widespread but they are also often the most common type of cinema all over Europe, and offer one of the few remaining cultural activities in rural areas and small towns. And the majority of art house cinemas, where European films are mainly shown, also often have only one or two screens.

Nowadays only France and Germany seem to be able to provide appropriate conditions for these kinds of cinemas. In other European countries there is an urgent need to find other methods of funding.

DIAGRAM 8 ► Digital screen locations in Europe according to country, 30.06.2012



Source: MEDIA Salles, *European Cinema Journal 2012*.

1.5. International markets

In October 2012 the European Audiovisual Observatory published for the first time a complete overview of the results of European cinema in international markets in a report[11]. The survey covered the ten regions relevant for the exploitation of European films in 2010: North America (USA/Canada), Oceania (Australia and New Zealand), South America (Mexico, Argentina, Brazil, Chile, Columbia, Venezuela) and South Korea as the only Asian country.

When investigating each country separately, the European Audiovisual Observatory found audience share for European films to be between 3 and 6 percent. The most surprising result is that, in the Spanish-speaking countries of Latin America, films from Spain only ranked fourth in the list of European countries.

The European Audiovisual Observatory came to the conclusion that one single successful film can have significant effects on rankings due to the low overall percentages.

1.5.1. Low export rates – low box office takings

In 2010 almost 1,300 films were released in Europe. Of these films ten percent were also shown in cinemas internationally in the same year. A total of 228 European films were released in the ten markets investigated. Therefore, some of the new films are released internationally about one year later than in the original European country.

Just less than 20 percent of films produced annually in Europe were released in at least one country outside the EU in the last few years. There were 128 releases in the USA and only 58 in South Korea[12].

According to the figures gathered by LUMIERE (database on admissions for films released in Europe)[13] the ten markets investigated here account for some

11. Martin Kanzler, *Theatrical export of European films in 2010*, European Audiovisual Observatory, 2012.
12. Martin Kanzler, *op. cit*.
13. http://lumiere.obs.coe.int/web/search/

19 percent or 70.4 M of the 378 M cinema tickets sold worldwide for European films. The rest are mainly sold in Europe. However, these 70.4 M admissions in 2010 account for only about 3 percent of the total international market. In contrast, more than 20 percent of the films produced worldwide are European films. Audience numbers have therefore decreased significantly for the third year in a row. In 2009 ticket sales for European films were close to 84 M.

1.5.2. European export countries

The countries of Europe are represented to differing extents in the international film market. The leading exporters of films are those in which the majority of films are produced: France, Spain, Italy, Germany and the UK. However, the number of productions sold outside the European markets is not an automatic guarantee of correspondingly high turnover and/or market share. According to the European Audiovisual Observatory there were approximately 1,100 releases of European films outside of Europe in 2010, which is equivalent to a share of 20 percent.

Equally, the number of films from a particular European country reveals little about the size of that country's international market share. Instead, their success is largely dependent on individual films that attract large audiences and revenues.

1.5.3. Measuring national results on the international market

The European Audiovisual Observatory uses the information on purely national and majority productions of the different countries as a basis to assess the relevance of the different market results. If minority productions were also included, then either the box office takings would have to be allocated according to the national share (which is difficult to do) or the overall results would reveal market shares of over 100 percent.

As a result of using this method, the following observations include some major deviations from the information given by national agencies for film promotion. However, this does not mean that this information is incorrect or unreliable.

1.5.4. Statistics are dominated by a few successful films

It is certainly possible that just one single film can overturn the national rankings. For example, Germany accounted for 24.5 percent of all admissions with 10.5 percent of international films. This was almost exclusively due to the exceptional success of *Resident Evil – Afterlife*, a co-production in English. In Sweden, just 2 out of a total of 455 international films – the first two films in the Millennium Trilogy – were watched by 6 percent of all viewers in 2010. In contrast, Spain had more than 8 percent of all films but only 4 percent of admissions. Italy had 6.5 percent of all films but only 2.4 percent of admissions. Of the 150 French films (33 percent of all European productions in non-European cinema) that were watched by 16 M viewers worldwide – i.e. outside France and outside Europe – or "only" 23 percent of all viewers according to the European Audiovisual Observatory.

In 2011 *UniFrance films* claimed 38 M viewers for French films on the international market excluding Europe. This result is mainly due to the revenues from five films of which the three most successful alone accounted for half of all viewers. Four of these five films were filmed in English: *Colombiana*, *Carnage*, *Unknown* and *The Three Musketeers*, the last two being minority co-productions; the fourth of these five films being *Nothing to declare*. But four productions in French also managed to break the million viewer barrier outside the domestic market: *Nothing to declare*, *Of Gods and Men*, *Potiche* and *Sarah's key*. 2012 was a record year for French cinema at international level (with 140 M viewers compared with an annual average of 70 M). Outside Europe, 75 M tickets were sold (equivalent to 53 percent of all viewers worldwide). This record was particularly due to the success of *The Intouchables*, *The Artist*, *Colombiana* and *Amour*.

1.5.5. USA, the biggest market – France, the biggest exporter

The most important market for European films is still the USA. With an audience of 39 M, the USA accounted for 55 percent of admissions to European films. The second largest market was Mexico, which also has two-digit admission figures. All other countries had significantly lower figures and accounted for around 30 percent of the European film audience outside Europe. Although the USA is the biggest export market, European cinema does not play a significant role in US box-office takings, even though a few films are very successful.

France lays claim to the most first cinema releases in the ten countries studied: 150 productions or 33 percent of all European exports. On the audience front, the UK takes first place with 25 M admissions in the ten non-European countries, the equivalent of 36 percent of cinema audiences for European films in these ten countries.

DIAGRAM 9 ➤ Market share of European films in the USA, 2002-2010

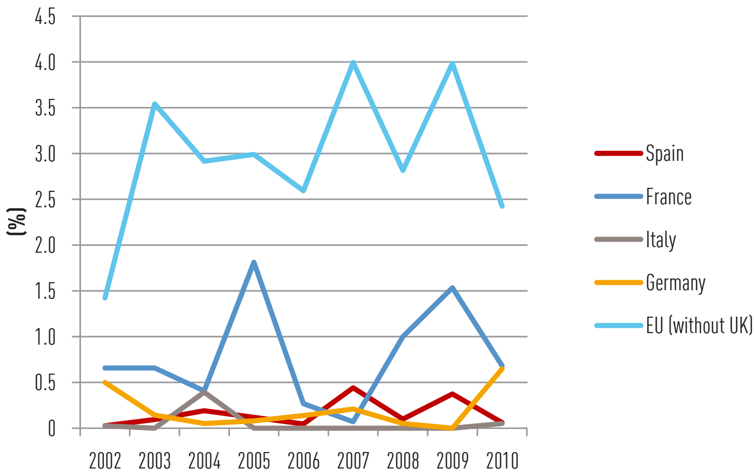


TABLE 12 ► Average market shares, 2002-2012

	MILLIONS OF ADMISSIONS	SHARE IN %
USA/Canada	1,447.11	
Germany	3.06	0.21%
Italy	0.89	0.06%
France	11.40	0.80%
Spain	2.41	0.17%
Europe (without the UK)	42.72	2.97%

Sources: Observatory, *Yearbook 2006 & 2011*; Observatory, *Focus*; Anica; FFA; CNC.

1.5.6. The top four European countries in the international market

Germany

Ever since the German Federal Office of Export Control (*Bundesamt für Ausfuhrkontrolle*) stopped gathering (or publishing?) information on film exports, unlike other large countries there have been no figures available for Germany.

As a result, it is necessary to use other information, particularly from European sources, in order to assess the market success of German productions. This makes it impossible to gain a really detailed picture. This report uses information from the report entitled *Theatrical Export of European Films in 2010* published by the European Audiovisual Observatory and from the Market Studies of German Films[14]. This, together with the fact that European cinema outside Europe only has a market share of 3 percent, reveals that the international market contributes very little to recouping investment in production.

This suggests that there are no relevant markets outside Europe where German cinema has a permanent and significant share. Purely German productions do not achieve 1 percent in any market. A market share of 1 percent is only exceeded with a few exceptional and mostly minority co-productions. In the last few years these have included multilateral European productions

14. www.german-films.de/publications/market-studies

and US-German productions such as *Pina*, *Carnage*, *Resident Evil: Afterlife*, *The Three Musketeers* and *The White Ribbon*.

Spain

The Spanish audiovisual producers association (FAPAE, *Federación de Asociaciones de Productores Audiovisuales Españoles*), provided an overview for 2011 on film exports to the majority of the regions supplied.

It reveals that 110 Spanish productions opened in more than 250 cinemas in over 20 countries. This is the second consecutive increase. The number of films increased by 21 percent compared with 2010 and by 29 percent compared with 2009. Theatrical releases increased by 15 percent and 36 percent respectively. The number of countries in which at least one Spanish production was premiered also increased.

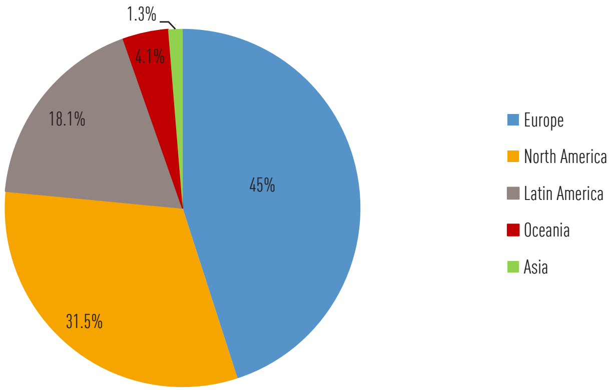
44.6 percent of these were purely Spanish productions and a further 29.1 percent were majority co-productions.

The top sellers were *Biutiful*, *Midnight in Paris*, *You Will Meet a Tall Dark Stranger*, *The Skin I Live In* and *Los Ojos de Julia* – the last two being purely Spanish productions.

Mexico was the country with the most releases of Spanish films – 36 films not only represented a 44 percent increase compared to 2009 but was also an all-time record. Only three of these films were Spanish-Mexican co-productions. Next in the market rankings came France (25 films), Argentina (24 films), Italy (19 films), Brazil (17 films) and North America (16 films). The number of Spanish films has increased everywhere except in Italy, which has seen a clear decrease.

After Europe, Latin America is by far the most important market. 40 percent of all foreign sales of Spanish films were made in this region. In contrast, sales declined in all other regions. More than 6 percent of film licences went to North America, 5 percent to Oceania and just under 4 percent to Asia.

DIAGRAM 10 ► Share of Spanish films by region, 2011



Source: FAPAE, *Memoria Annual 2010.*

Spanish cinema achieves higher revenues abroad than in Spain, and this trend continued in 2011. In total, revenues were an estimated €185 M, twice as much as in 2010, 85 percent more than in Spain and with foreign audience figures of around 30 M 45 percent of revenues came from Europe. This is still the largest proportion, despite a decrease of more than 15 percent compared with 2010. However, this was balanced out by North America, where revenues increased by almost the same amount, doubling to more than 30 percent. Despite the large number of theatrical releases, Latin America's share remained below 20 percent.

It is also true for Spanish films that – even though numbers are low – it is just a few films attracting large audiences that account for the lion's share of international box office takings and licensing revenues. With *Midnight in Paris* (which, according to the LUMIERE database, attracted over 7.1 M viewers in the USA alone) and the other exceptions mentioned above, twelve films have earned over €1 M in international sales.

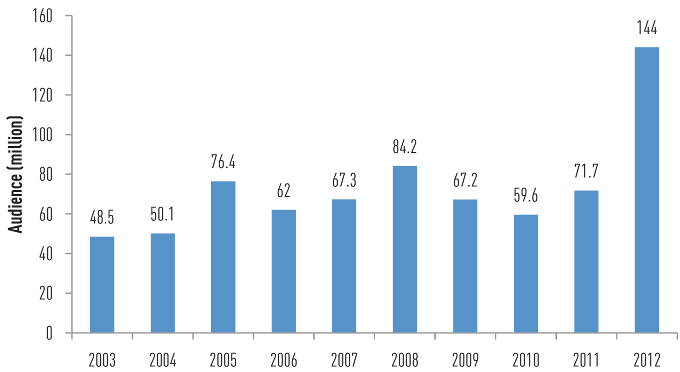
France

According to information published by UniFrance films, French films had over 70 M viewers worldwide in 2011. This is equivalent to an increase of over

20 percent compared with 2010. French cinema made gains in all the major markets.

However, this enormous increase is largely thanks to minority English-language co-productions. Two of these films attracted some 25 M viewers and thus a third of all viewers for French films outside of France: *The Three Musketeers* and *Unknown*[15].

DIAGRAM 11 ► Audience figures for French films worldwide, 2002-2012



Source: UniFrance films.

Since 2006, films in French have only once attracted the largest share of viewers (2010 with 58.5 percent), whereas films in other languages – in particular in English – have been consistently gaining viewers since 2002 (it stand at 27 percent). Collectively, they had 62.5 percent of the audience in 2011.

Things are different when it comes to funding. In the past decade the success of French cinema has almost without exception been down to purely French and majority co-productions. The one exception was in 2006 when a few extremely successful minority productions reduced its share to 49.1 percent. In 2011 the balance was just about equal. The results published by UniFrance films reveal a general dearth of French-language films with the potential to attract large audiences.

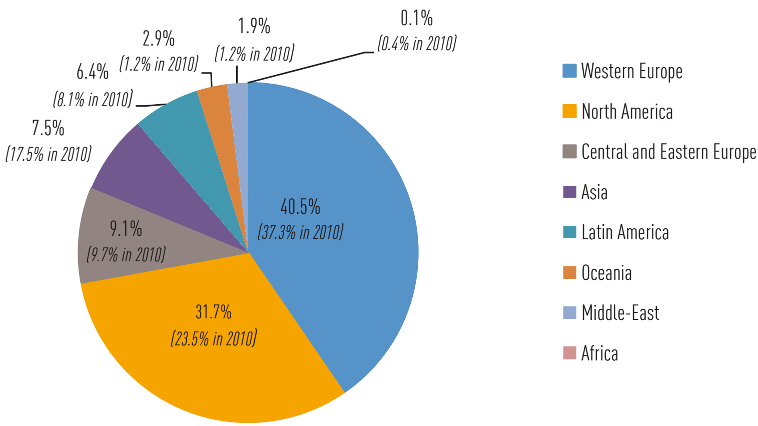
15. CNC, *L'exportation des films français en 2011*, October 2012.

The most successful film in the French language was *Nothing to declare*, which – despite attracting audiences in excess of 8 M in the domestic market – was otherwise only successful in Belgium and, to a lesser degree, in Germany.

In 2012 this trend was reversed with film successes such as *The Artist* (13 M viewers worldwide) and *The Intouchables* (30 M viewers worldwide), which were shown in the traditional strongholds of French cinema (144 M viewers worldwide).

A comparison of the number of viewers with the number of films and the total number of prints makes the effects of digitisation very clear. With reference to the international market the number of French films released increased by 19 percent, the number of viewers increased by 24 percent and the number of prints by 44 percent. Evidently, many more prints were made and used at many more locations than ever before. The number of admissions per print decreased from 7,500 in 2010 to 6,450 in 2011 (8,090 in 2009 and 9,500 in 2008).

DIAGRAM 12 ➤ Share of export revenues for French films by region, 2011



Source: UniFrance films

French films reached 35 M viewers (almost half of all viewers) in European countries (including all non-EU countries), a further 21 M in the USA, 6.7 M in Latin America and almost 6 M in Asia (including 1.7 M in China and 1.4 M in South Korea).

Audience figures did not increase in every region. However, outside Europe, the USA was a driving force, accounting for an increase of some 57 percent compared with 2010 – the equivalent of almost 21 M viewers. Here too, it was a just a few film successes that accounted for the positive results. *Unknown*, *Colombiana* and *The Three Musketeers* alone had 15 M viewers (more than 70 percent!). Apart from these, only three other productions made any significant contribution to the increase: *Sarah's key*, *Of Gods and Men* and *The Artist*, which attracted 750,000 viewers even though it was not released until the end of the year.

Italy

In September 2012 the Italian association for the film and audiovisual industries (ANICA, *Associazione Nazionale Industrie Cinematografiche, Audiovisive e Multimediali*) published figures on the international sales of Italian productions. From 2006 to 2012 a total of 612 films were produced, of which some 350 (60 percent) were sold abroad. The biggest share (216 films) went to the European markets and brought in the majority of revenues. Most films within Europe went to France (80), followed by Spain (75), Benelux (70) and the UK (52). Other lucrative markets for Italian cinema were Asia (102), Latin America (87), North America (86) and Australia (84).

In total, some 1,600 Italian films were released worldwide in these five years. More than half of them were released in Europe (approx. 960). Next in the rankings came Asia (approx. 210), Latin America (approx. 130), North America and the Middle East (each about 110), Oceania (84) and Africa (5). In Russia and China there is an upward trend, in South America a downward trend.

Gomorrah was the film with the highest revenues. It was sold in 13 regions, where it attracted 1.65 M viewers. The second-highest grossing film was *Winx Club: The Secret of the Lost Kingdom* with almost one million viewers.

Total sales amounted to almost €45 M, which, according to ANICA, only corresponded to 7-8 percent of private investment in production. On this basis, an average €28,000 was earned per film released. According to Roberto Cicutto (from *Istituto Cinecittà Luce*) new instruments for promotion and distribution need to be found in order to increase profits abroad.

2. The key European markets

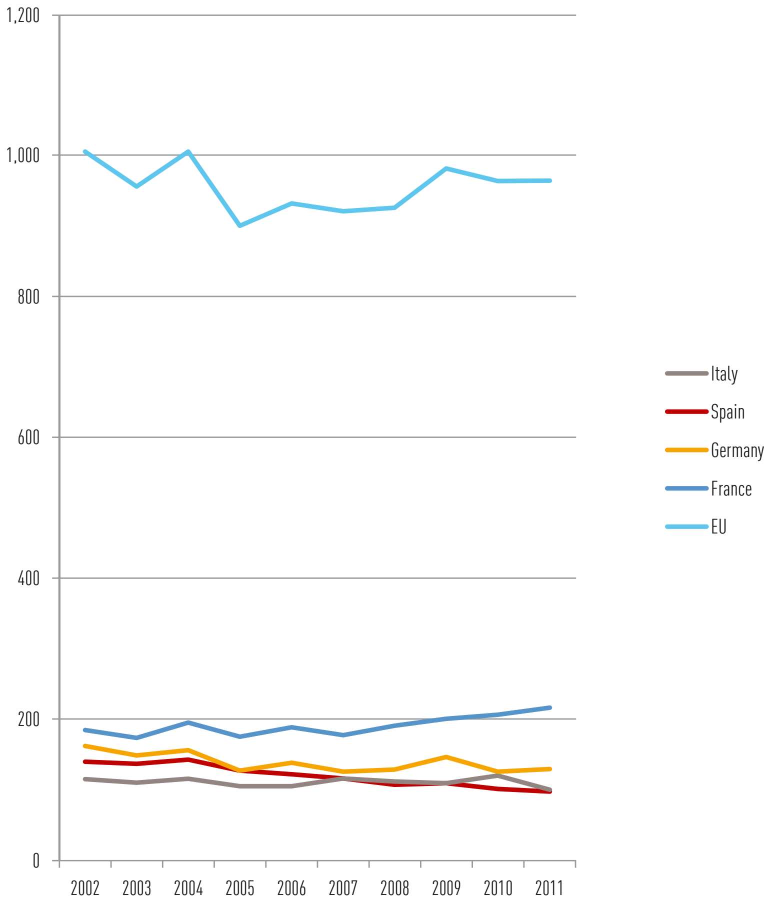
The following detailed observations of the four major European markets – Germany, Spain, France and Italy – have been made possible by using a wide range of statistics. However, it should be remembered that the economic structure of the cinema film market differs across the four countries. They also define and prioritise cultural aspects in different ways and the meaning and reliability of their figures also varies. There are many differences between the various methods of data gathering and processing. It is therefore not possible to present totally comparable data for every market and in every aspect. The data merely acts as an indicator and reveals trends.

Despite these difficulties, the figures and diagrams have been compiled in such a way that it is possible to gain a global overview of the situation in Germany, Spain, France and Italy. This presentation provides a better understanding of the data and makes it evident that, without exception, all European film-producing countries suffer from the same basic problems.

The lack of a common instrument continues to be a significant weakness and is without doubt the biggest challenge for Europe. A detailed and coordinated analysis is essential to pave the way for taking appropriate action and providing the necessary conditions.

Some aspects are easy to measure – for example, admissions, sales or rentals of DVDs and BD, or broadcasts by public or private television companies – but new forms of digital distribution are difficult to quantify.

DIAGRAM 13 ► Cinema admissions in Europe, 2002-2011



Sources: Observatory, *Yearbook 2006 & 2011*; CNC; FFA; ANICA; FECE.

Simply counting admissions is not in itself enough to be able to present and assess the development, trends and present situation of European cinema. But on the other hand, these figures generally provide the best available data. Diagram 13 clearly shows that interest in cinema dropped dramatically during the first third of the last decade. It then slowly increased again, but failed to regain its 2002 level (except in France).

The trends in each of the four major markets, Germany, Spain, France and Italy do not always mirror or run parallel to European trends.

2.1. Germany

2.1.1. The cinema market

In 2011 and 2012 there were more film releases in Germany than ever before. In both years there were 532 new film releases, including 144 American films and 212 German films in 2011. Of the latter, 132 were feature films and 80 were documentaries. 2011 was once again a good year for the German cinema market after a notable decline in 2010.

According to the German Federal Film Board (FFA, *Filmförderungsanstalt*), a total of 129.6 M tickets were sold in German cinemas in 2011, amounting to 2.3 percent more than in the previous year. This is the second-best result of the last five years, but it is still significantly lower than the figures for the years 2002 to 2006. In contrast, revenues were only 0.2 percent lower than revenues for 2002 as a result of higher ticket prices, which rose by 26 percent during this period.

The 25 most successful films, amounting to 4.7 percent of all films released, accounted for 59.25 M or 45.7 percent of all viewers. Among the TOP 10 are seven American productions, one film produced in the UK with American finance (*Harry Potter*), one British-Australian production (*The King's Speech*) and just one film from Germany (*Kokowääh*). The TOP 5 of the (purely) German films accounted for 10.63 M or 8.2 percent of all viewers and 38 percent of viewers of German films.

High levels of concentration are noticeable in the viewer figures. Of the 73 percent of all viewers of German films, 9.4 percent watched the first German films on the list.

TABLE 13 ► TOP 25 International, 2011

	FILM TITLE	ORIGIN	VIEWERS (MILLION)
1	Harry Potter and the Deathly Hallows	USA/GB	6,468,501
2	Pirates of the Caribbean – On Stranger Tides	USA	4,396,891
3	Kokowääh	D	4,317,017
4	Hangover 2	USA	4,089,523
5	The Twilight Saga: Breaking Dawn - Part 1	USA	3,181,591
6	The Smurfs	USA	2,701,742
7	Transformers 3	USA	2,575,383
8	Fast & Furious 5	USA	2,460,572
9	The King's Speech	GB/AUS	2,413,256
10	Black Swan	USA	2,193,307
11	Puss in Boots	USA	2,047,017
12	Zookeeper	USA	1,956,622
13	Kun Fu Panda 2	USA	1,877,126
14	Bad Teacher	USA	1,861,579
15	Cars 2	USA	1,837,081
16	What a Man	D	1,786,156
17	Rio	USA	1,744,927
18	Vicky and the Treasure of the Gods	D	1,743,795
19	Johnny English Reborn	GB	1,615,772
20	Almanya - Willkommen in Deutschland	D	1,427,072
21	Men in the city 2	D	1,352,324
22	The Adventures of Tintin	USA	1,348,994
23	Tangled	USA	1,342,985
24	Just go with it	USA	1,286,721
25	The Three Musketeers	D/GB/F	1,220,793

Source: FFA.

TABLE 14 ► TOP 20 International, 2012

	FILM TITLE	ORIGIN	VIEWERS (MILLION)
1	The Intouchables	FR	8,893
2	Skyfall	USA-GB	7,450
3	Ice Age: Continental Drift	USA	6,682
4	The Hobbit: An Unexpected Journey	USA/NZ	4,473
5	Madagascar 3	USA	3,923
6	The Twilight Saga: Breaking Dawn – Part 2	USA	3,614
7	Ted	USA	3,363
8	The Dark Knight Rises	USA	3,253
9	American Pie 4	USA	2,521
10	Türkisch für Anfänger	DE	2,390

Source: FFA

TABLE 15 ► TOP 20 National, 2011

	FILM TITLE	ORIGIN	VIEWERS (MILLION)
1	Kokowääh	D	4,317,017
2	What a Man	D	1,786,156
3	Vicky and the Treasure of the Gods	D	1,743,795
4	Almanya - Willkommen in Deutschland	D	1,427,072
5	Men in the city 2	D	1,352,324
6	The Three Musketeers	D/GB/F	1,220,793
7	Rubbeldiekatz	D	1,059,197
8	Eine ganz heiße Nummer	D	1,027,339
9	Vorstadtkrokodile 3	D	793,476
10	Lilly the Witch: The Journey to Mandolan	D/A	668,919
11	Unknown Identity	D/GB/F	630,607
12	Resturlaub	D	628,715
13	Princess Lillifee and the Little Unicorn	D/F/H	619,830
14	Carnage	F/D/PL	563,824
15	Summer in Orange	D	535,283
16	Pina	D/F	480,706

17	Werner - Eiskalt	D	438,056
18	Die Superbullen	D	428,702
19	Laura's Star and the Dream-Monsters	D	360,125
20	Three Quarter Moon	D	304,527

Source: FFA.

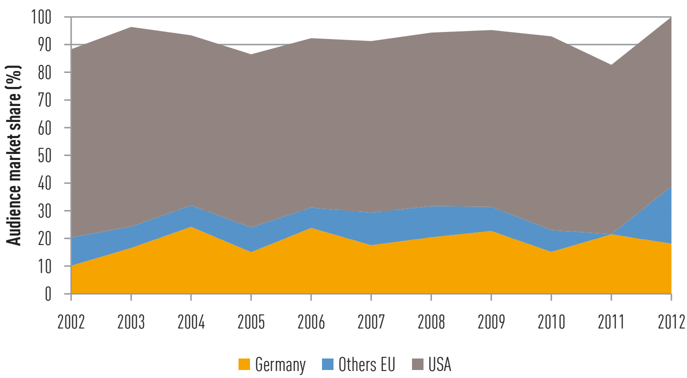
3D productions play a special role in Germany and account for a market share of 22.8 percent. According to the FFA, only the USA has more 3D films in cinemas than Germany.

TABLE 16 ► Audience market share in the German cinema market, 2002-2012

COUNTRY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany (%)	10.13	16.55	24.19	15.03	23.79	17.54	20.42	22.68	15.11	21.50	18.10
Others EU (%)	10.19	7.71	7.71	8.93	7.32	11.77	11.23	8.70	7.89	–	20.70
USA (%)	68.00	72.12	61.46	62.54	61.21	61.97	62.69	63.88	69.99	61.20	61.20

Sources 2002-2011: Observatory, *Yearbook 2006 & 2011*, based on figures compiled by the LUMIERE database. Source 2012: FFA – Info 1/2012.

DIAGRAM 14 ► Audience market share in the German cinema market, 2002-2012



Sources 2002-2011: Observatory, *Yearbook 2006 & 2011*, on the basis of figures gathered by the LUMIÈRE database. Source 2012: FFA – Info 1/2012.

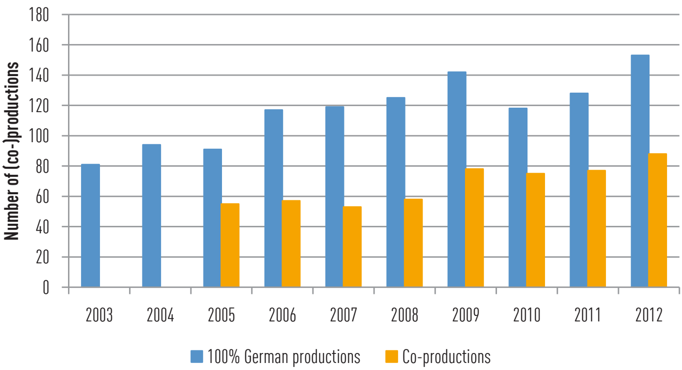
TABLE 17 ► Production of feature films including documentaries, 2002-2012

PRODUCTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
100% German	39* (27)	54* (27)	60* (34)	91	117	119	125	142	118**	128**	153
Co-productions				55	57	53	58	78	75**	77**	88
Total				146	174	164	169	202	193**	205**	241

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; SPIO.

* Feature films only, documentary films in brackets (no information on co-productions).
** Estimated. For these years there was no detailed (or only provisional) information on co-productions for documentary films.

DIAGRAM 15 ► German productions or co-productions, 2002-2012



Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; SPIO.

German cinema achieved a market share of 21.8 percent. Productions from Europe (without German (co-)productions) had a share of 26.7 percent, according to the FFA. For films from other European countries there were no usable figures from the European Audiovisual Observatory at the time of print. In previous years, Italian and Spanish films played virtually no role. They only accounted for a measurable share of admissions when an exceptional film was successful.

French cinema had one of its lowest years ever in 2010 with just 3.57 M viewers, but according to the CNC *Bilan 2011* it improved by 75 percent to attain audience figures of 6.3 M and a share of 4.8 percent. This was due in part to several minority co-productions such as *The Three Musketeers* (1.22 M), *Unknown Identity* (0.63 M), *Princess Lilifee* (0.61 M) and *Pina* (0.48 M) but also especially thanks to the majority productions *Nothing to Declare* (0.51 M), *Carnage* (0.56 M) and *Potiche* (0.5 M). There was no purely French film among the 60 most successful films and only one (minority) co-production among the TOP 40. In 2012 the film *The Intouchables* led the TOP 10 in the German market.

TABLE 18 ► Market share of the major EU countries in the German cinema market, 2002-2012

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Spain	million	1.31	0.25	0.49	0.46	1.03	0.54	0.27	0.51	0.27		
	%	0.8	0.17	0.31	0.36	0.75	0.43	0.21	0.35	0.21		–
France	million	7.47	2.20	4.09	4.43	2.76	4.75	5.72	4.77	3.57	6.32	14.99
	%	4.56	1.48	2.61	3.48	2.02	3.79	4.42	3.26	2.82	4.9	9.3
Italy	million	0.34	0.22	0.25	0.20	0.18	0.03	0.58	0.25	0.34		
	%	0.21	0.15	0.16	0.16	0.13	0.02	0.45	0.17	0.27		–
UK	million	4.21	6.46	5.74	3.40	2.10	6.48	5.21	2.85	2.67		
	%	2.57	4.34	3.66	2.67	1.54	5.17	4.03	1.95	2.11		8.4

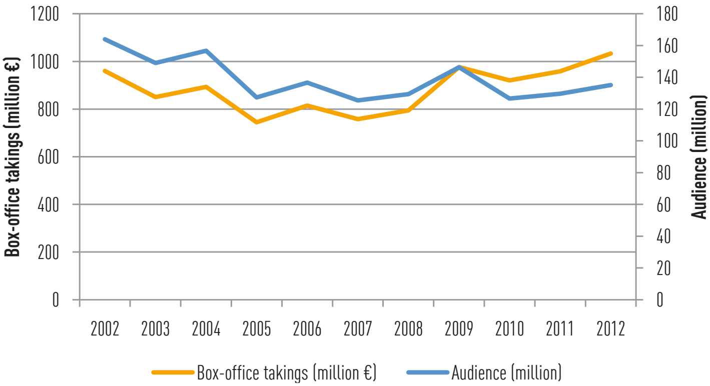
Source: *Observatory, Yearbook 2006, 2011 & 2013* on the basis of figures gathered by the LUMIÈRE database.

TABLE 19 ► Audience figures, box office takings and film releases, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Audience (million)	163.91	148.96	156.71	127.32	136.68	125.43	129.4	146.35	126.61	129.6	135.1
Box-office takings (million €)	960.1	850	892.9	745	814.4	757.9	794.7	976.1	920.4	958.1	1,033
Film releases	369	359	430	447	487	493	471	526	508	532	532

Sources: FFA – Info 1/2007, 1/2006, 1/2012; Observatory, *Yearbook 2006, 2011 & 2013*.

DIAGRAM 16 ► Box office takings and audience figures, 2002-2012



Sources: FFA – Info 1/2007, 1/2006, 1/2012; Observatory, *Yearbook 2006, 2011 & 2013*.

2.1.1.1. Cinemas – dominance of multiplexes despite slight decline

According to the FFA, although 124 cinemas opened or re-opened in 2011, 183 cinemas closed down. This negative balance is an indication of the trend over the past ten years with a continuous decline in the number of screens and cinemas. The FFA sees this development as being the result of poor profitability and strong competition.

More than half of all cinemas that were shut down were small cinemas with one or two screens, usually located in towns with fewer than 50,000 inhabitants. The FFA calls this "cultural desertification".

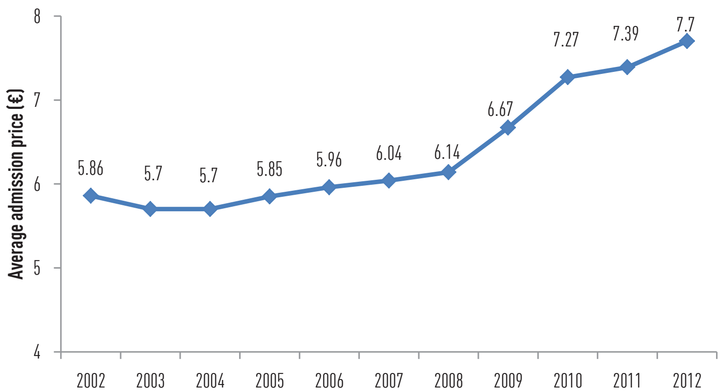
Multiplexes play a central role in Germany. In 2011 they accounted for 28 percent of all screens, 47.8 percent of viewers and 51.6 percent of revenues.

TABLE 20 ► **Cinemas, screens and admission price, 2002-2012**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cinemas	1,844	1,831	1,845	1,854	1,823	1,812	1,793	1,744	1,714	1,671	1652
Screens	4,868	4,868	4,870	4,889	4,848	4,832	4,810	4,734	4,699	4,640	4,640
of which digital									1,248	2,303	3134
Average admission price (€)	5.86	5.70	5.70	5.85	5.96	6.04	6.14	6.67	7.27	7.39	7.7

Sources: FFA – Info 1/2007, 1/2006, 1/2012; Observatory, *Yearbook 2006, 2011 & 2013.*

DIAGRAM 17 ► **Change in admission price, 2002-2012**



Sources: FFA – Info 1/2007, 1/2006, 1/2012; Observatory, *Yearbook 2006, 2011 & 2013.*

2.1.1.2. Art house cinemas

In Germany – as in Italy – art house cinemas are defined as such by their operators and then included in statistics gathered by the FFA. However, the return rates of survey questionnaires varied considerably, the only exception being in 2010 (94.3 percent) and in 2011 (94.8 percent) when they were almost identical.

Therefore, since 2008 the figure used as a reference for the relevance of art house cinemas has been audience figures for Arthouse-Filme, as is the case in France. These are more or less equivalent to the "films art-et-essai" or "recommanded" in France. The classification of certain productions as art house films is defined jointly by the FFA and the German Association of Film Theatres (*AG Kino/Gilde deutscher Filmtheater*). However, the FFA does not include all art house films, but only the "TOP 50". According to these two organisations, the number of independent cinema screens has remained steady over the last few years.

In 2011 a total of 787 cinemas, or 17 percent of all cinema screens, were classified as being studio, independent or art house cinema (*Studio- oder Programm- oder Filmkunstkino*). Art house cinemas are distributed evenly among small, medium and large-sized towns in Germany and in 2011 they accounted for 16.4 M viewers, equivalent to 12.6 percent of Germany's total audience of 129.6 M. In 2010 the figures were 14.7 M viewers or 11.6 percent. In total, art house cinema accounted for box office takings of €105.7 M or 11 percent of total revenues.

TABLE 21 ► Number of viewers of arthouse films, 2011

Total number of viewers of all cinema films in 2011	128,421,536
Viewers of the TOP 50 art house films	16,389,716 (12.76%)
Of these:	
18 German art house films (incl. co-productions)	5,552,080 (33.88%)

2.1.2. The home video market

In Germany, the home video market has grown over the past decade to become a dominant segment of audiovisual entertainment. In 2000, expenditure on the purchase and rental of videos was already 10 percent higher than for cinema tickets. Since then, the imbalance has increased. In 2004, revenues from videos were almost twice as high as box office takings, the former amounting to €1.747 BN. In 2011 revenues amounted to the second best result ever. According to the German association for audiovisual media (BVV, *Bundesverband Audiovisuelle*

Medien), revenues from the video market exceeded those from the cinema market by almost 80 percent.

Unlike in Spain, Italy and France, German consumers spent more on home video entertainment for the third consecutive year.

2.1.2.1. DVDs and Blu-ray

A total of 89.4 M DVDs were sold in 2012, a decrease of 14 percent, while DVD rentals dropped by approximately 9.8 percent.

In contrast, the number of Blu-rays sold amounted to 23 M, an increase of almost 34 percent in just one year. Even the rental market saw a significant increase of 36 percent to almost 21.7 M units. So Germany is one of the few countries where the decline in sold and rented DVDs has been balanced out by growth in the Blu-ray sector.

2.1.2.2. Online distribution

Online sales and rentals have been gaining popularity in Germany. Some 80 percent of the population now has access to the internet and, of them, 80 percent use high-speed connections, with the attendant positive effect on the growth of online services.

More than 4 M units were sold in 2011, an increase of over 40 percent. The growth rate for VoD/streaming is even higher at 55 percent. In 2011, a total of 9.4 M films were downloaded.

The impact of illegal film downloads is unclear. According to information published by the FFA, more than 7 M users downloaded illegal content or streamed films in the first half of 2011. This illegal consumption far outstrips legal consumption.

2.2. Spain

2.2.1. The cinema market

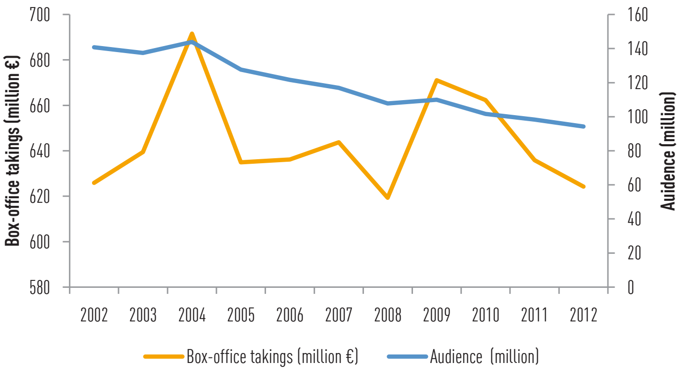
Since 2002 the Spanish cinema market has been characterised by a steady increase in the number of productions and, in parallel, a steady decrease in the number of cinemas (-28 percent), screens (-10 percent) and audience numbers (-30 percent). Despite a 50 percent increase in admission prices during the same period, box office takings have largely remained at 2002 levels.

TABLE 22 ► Audience figures, box office takings and film releases, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Audience (million)	140.71	137.47	143.93	127.65	121.65	116.93	107.81	109.99	101.6	98.34	94.2
Box-office takings (million €)	625.90	639.43	691.61	634.95	636.16	643.74	619.29	671.04	662.31	635.85	624.2
Film releases	567	527	514	583	575	633	552	556	559		480

Sources: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine*, "Evolución 1993-2002", "Evolución 2002-2011".

DIAGRAM 18 ► Box office takings and audience figures, 2002-2012



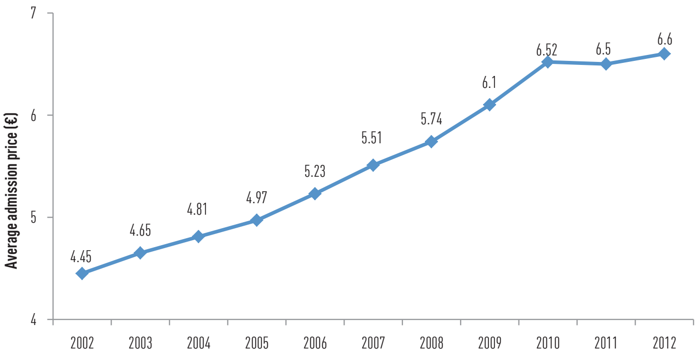
Sources: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine*, "Evolución 1993-2002", "Evolución 2002-2011".

TABLE 23 ► Cinemas, screens and admission price, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cinemas	1,223	1,194	1,126	1,052	936	907	868	851	860	876	838
Screens	4,039	4,253	4,390	4,401	4,299	4,296	4,140	4,082	4,080	4,044	4,003
of which digital									758	1,545	1,800
Average admission price (€)	4.45	4.65	4.81	4.97	5.23	5.51	5.74	6.10	6.52	6.5	6.6

Sources: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine*, "Evolución 1993-2002", "Evolución 2002-2011".

DIAGRAM 19 ► Change in admission price, 2002-2012



Sources: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine*, "Evolución 1993-2002", "Evolución 2002-2011".

2.2.1.1. VAT increases and piracy

Spain's economic difficulties led to the rate of value-added tax on cinema tickets being increased from 8 to 21 percent. At present there are no concrete figures on the effects of this, but some stakeholders in the Spanish film industry have no doubts about the severity of the situation. "It is dramatic", said Antonio Perez Perez, a producer based in Seville. "The main aim of Spanish operators is to challenge the current tax increase, and particularly the VAT hike [...] This is a big problem for cinema operators and audiences in general. Spain now has the highest rate of VAT on cinema tickets in the euro area […] The biggest challenge is digital cinema. This presents a major problem because of the high costs involved." (Borja de Benito Porto, Federación de Cines de España (FECE) in a personal e-mail to the author of this report).

The need for digital conversion of cinemas presents a further challenge for Spanish cinemas. At the beginning of 2013, only 44.9 percent of all screens had been digitised. In the September 2012 issue of the German magazine *Filmecho*, Juan Ramón Gómez Fabra (spokesman for the FECE, which represents 80 percent of Spanish cinemas) wrote that he feared up to 70 percent of all Spanish cinemas would be forced to shut down as a result of the crisis.

For Pedro Pérez, president of the producer association FAPAE, the increase will result in the "death of the cinema". Enrique González Kuhn, owner of the Alta Classic rental company (which has shut down since) and the Renoir cinema chain explains: "Over the past year we have already seen a 12 percent decline in audience figures and we are now meant to digitise the cinemas. We cannot cope with the increase. The only winner is piracy."

Spain is indeed one of the countries with the highest rate of illegal downloads. According to estimates, the number of films downloaded illegally on the internet is four times greater than the number of cinema tickets sold. Fewer than half of all films are downloaded legally. Information released by the Spanish association for video distribution (UVE, *Unión video-gráfica española*) and the Motion Pictures Association (MPA) reveals that Spain continues to be the country with the most widespread piracy, alongside China, Malaysia, Russia and Brazil. As a result, Spain is still on the MPA's "Priority Watch List". In December 2011 the American ambassador even openly threatened Spain with trade sanctions and accused policy-makers of not being decisive enough in their actions against piracy.

2.2.1.2. Dramatic decline in the high number of screens and the dominance of multiplexes

Two trends can be observed in the development of the Spanish film and cinema market over the last 20 years. Firstly, in 2011 the number of cinema screens was still more than twice as high as in 1993, despite the decline in the number of screens since 2005. On the other hand, the number of admissions has not increased to the same extent and remains fixed at the same level as in the early 1990s.

The changes since 2005 are mainly due to the number of multiplexes. At the end of 2010, 190 cinemas (4.7 percent) were multiplexes with more than eight screens, giving a total of 2,309 screens (56.6 percent). The percentage of multiplex screens is only higher in Belgium (60 percent) and the UK (over 65 percent). In Spain they accounted for 70 percent of box office takings and 68 percent of viewers. In contrast, 397 cinemas with one screen (46 percent) accounted for only 2.3 percent of revenues and 3.6 percent of viewers.

2.2.2. Production

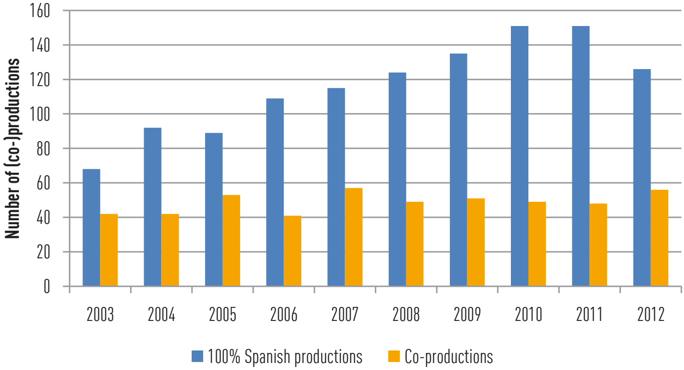
According to the official figures released by the Spanish Institute for Cinema and Audiovisual Arts (ICAA, *Instituto de la Cinematografa y de las Artes Audiovisuales*) a total of 199 Spanish cinema films were produced in 2011. Of these, 62 were documentaries. This means that 15.5 percent of films from Europe are connected with Spain, if co-productions are included, and almost 12 percent if only the 151 purely Spanish films are counted. Both figures are slightly below those of 2010. Spain is thus ranked ninth in the global comparison of the major film-producing countries and fourth in an inner-European comparison. In the rankings of purely national productions in Europe, Spain is just one film behind the leader, France.

TABLE 24 ► Production of Spanish feature films, 2002-2012

PRODUCTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
100% Spanish	80	68	92	89	109	115	124	135	151	151	126
Co-productions	57	42	42	53	41	57	49	51	49	48	56
Total	**137**	**110**	**133**	**142**	**150**	**172**	**173**	**186**	**200**	**199**	**182**

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: Ministerio de Educación, Cultura y Deporte, *El cine y el vídeo en datos y cifras*.

DIAGRAM 20 ► **Spanish productions and co-productions, 2002-2012**



Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: Ministerio de Educación, Cultura y Deporte, *El cine y el vídeo en datos y cifras*.

2.2.3. Market share in the Spanish cinema market

Market shares in the Spanish market have generally remained unchanged over the past ten years. The national share has fluctuated between 11 and 14 percent, the rest of Europe between 8 and 10 percent. American films account for between 70 and 75 percent (and once dropped below 60 percent in 2012). However, it should be remembered that these figures are only of limited use, as UK films and UK films made with American finance are sometimes not classified in the same manner as by LUMIÈRE or the European Audiovisual Observatory.

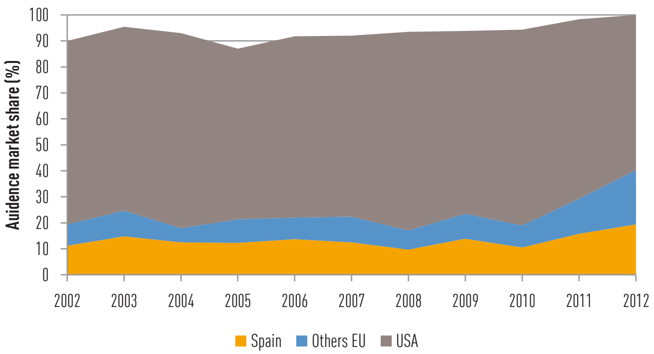
With regard to the large European countries, the market share of French films has fluctuated between 2.5 and 3.5 percent, though with an increase to 7.2 percent in 2012. German and Italian films only achieved a small market share at 0.5 and 1.5 percent respectively. For all four countries, their respective audience figures for films shown in Spanish cinemas were significantly higher (6 to 8 percent). It is a different matter for films from the USA – although they supply less than 40 percent of all films, they are watched by 70 percent of all viewers.

TABLE 25 ► Audience market share in the Spanish cinema market, 2002-2012

COUNTRY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Spain (%)	11.20	14.79	12.48	12.27	13.72	12.46	9.69	13.89	10.51	15.78	19.4
Others EU (%)	8.16	9.88	5.48	9.07	8.30	9.92	7.36	9.60	8.47	13.52	20.90
USA (%)	70.65	70.76	75.04	65.69	69.76	69.65	76.45	70.35	75.36	69.05	59.70

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: Ministerio de Educación, Cultura y Deporte, *El cine y el vídeo en datos y cifras*.

DIAGRAM 21 ► Audience market share in the Spanish cinema market, 2002-2012



Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: Ministerio de Educación, Cultura y Deporte, *El cine y el vídeo en datos y cifras*.

TABLE 26 ► **Market share of the major EU countries in the Spanish cinema market, 2002-2012**

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	Audience (million)	1.45	1.02	0.39	1.99	2.51	2.01	0.70	1.48	1.39	1.46	-
	Share on the Spanish market (%)	1.03	0.74	0.27	1.56	2.06	1.72	0.65	1.35	1.37	1.48	0.2
France	Audience (million)	5.76	3.56	2.17	4.76	3.02	2.58	3.54	2.69	3.33	2.17	6.76
	Share on the Spanish market (%)	4.09	2.59	1.51	3.73	2.48	2.21	3.28	2.45	3.28	2.21	6.7
Italy	Audience (million)	5.76	3.56	2.17	4.76	3.02	2.58	3.54	2.69	3.33	0.71	-
	Share on the Spanish market (%)	0.27	0.31	0.49	0.35	0.78	0.37	0.54	0.46	0.35	0.72	0.2
UK	Audience (million)	3.07	7.78	4.36	4.66	3.10	5.57	1.81	2.82	2.59	7.99	-
	Share on the Spanish market (%)	2.18	5.66	3.03	3.65	2.55	4.76	1.68	2.56	2.55	8.12	9.5

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: Ministerio de Educación, Cultura y Deporte, *El cine y el vídeo en datos y cifras*.

2.2.3.1. Blockbuster mentality

In Spain, as in other European markets, just a few films account for a large portion of box office takings. This applies to both domestic and international rankings. The TOP 20 in Spain and the international TOP 20 are more or less identical.

The TOP 5 accounted for more than 14 percent of total box office takings of €635 M. The TOP 10 accounted for almost 25 percent, the TOP 15 for more than 32 percent and the TOP 20 for 38 percent.

The TOP 20 in 2011 included one purely Spanish production: *Torrente 4* had almost 3 M viewers and box office takings in excess of €19 M. The other 19 most successful films came from the USA (16) or were UK productions with American financing (2) and one film was a Spanish-American co-production.

TABLE 27 ► TOP 10 International, 2011

	FILM TITLE	ORIGIN	BOX-OFFICE (MILLION €)
1	Torrente 4	ES	19,345,503
2	Pirates of the Caribbean: On Stranger Tides	USA	18,950,126
3	The Twilight Saga: Breaking Dawn - Part 1	USA	18,943,848
4	The Adventures of Tintin	USA	17,626,674
5	Harry Potter and the Deathly Hallows – Part Two	GB Inc. USA	15,893,965
6	Puss in Boots	USA	14,085,367
7	Rise of the Planet of the Apes	USA	14,041,225
8	Tangled	USA	13,683,334
9	The Smurfs	USA	13,519,327
10	Cars 2	USA	10,508,944
11	Super 8	USA	10,036,340
12	The King's Speech	GB Inc. USA	10,025,959
13	Black Swan	USA	10,022,757
14	Fast & Furious 5	USA	9,911,858
15	Hereafter	USA	9,544,528
16	Rio	USA	9,104,426
17	Thor	USA	8,515,097
18	Kung Fu Panda 2	USA	8,328,604
19	Midnight in Paris	ES/USA	7,926,916
20	Transformers: Dark of the Moon	USA	7,711,201

Source: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine.*

TABLE 28 ► TOP 20 International, 2012

	FILM TITLE	ORIGIN	VIEWERS (MILLION)
1	The Impossible	USA	6,213,542
2	The Twilight Saga: Breaking Dawn - Part 2	ES-USA	3,311,755
3	Tad, The Lost Explorer	ES	2,729,793
4	The Hobbit: An Unexpected Journey	USA-NZ	2,546,778

5	The Intouchables	FR	2,499,932
6	The Avengers	USA	2,455,730
7	Ice Age 4: Continental Drift	USA	2,297,740
8	Rebel	USA	2,229,729
9	Twilight Love 2	ES	2,836,674
10	The Dark Knight Rises	USA	1,808,630

Source: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine*.

TABLE 29 ► TOP 25 National, 2011

	FILM TITLE	VIEWERS (MILLION)	BOX-OFFICE (MILLION €)
1	Torrente 4: Lethal Crisis	2,630,263	19,345,503.05
2	Midnight in Paris	1,239,355	7,926,916.73
3	Hot School 2	796,137	5,025,460.16
4	The Skin I Live In	722,960	4,585,877.25
5	No Rest for the Wicked	641,445	4,039,451.98
6	Even the Rain	619,315	3,901,297.52
7	Cousinhood	566,410	3,545,363.83
8	Sleep Tight	546,085	3,517,590.28
9	Red Eagle: The Movie	502,905	3,038,709.10
10	Intruders	413,970	2,652,127.52
11	Carnage	394,839	2,625,908.13
12	The Opposite of Love	417,384	2,562,519.65
13	The Hidden Face	397,752	2,339,841.08
14	Chinese Take-Away	352,281	2,280,142.13
15	Amigos...	317,470	2,006,250.78
16	The Sleeping Voice	313,203	1,975,420.27
17	There be Dragons	340,760	1,974,945.38
18	Black Bread	298,431	1,802,077.55
19	Three Steps Above Heaven	240,693	1,420,491.82
20	No lo lames amor... llamalo x	168,883	1,038,972.96
21	¿Para que sirve un oso?	174,474	1,038,823.21
22	Lilly the Witch: The Journey to Mandolan	158,990	965,050.54

23	Chico & Rita	151,012	948,538.92
24	Eva	131,054	850,817.77
25	Neon Flesh	134,513	849,979.79

Source: Ministerio de Educación, Cultura y Deporte, *Boletín Informativo de Cine*.

In 2011 the top two taken together attracted more than 30 percent of all viewers of Spanish films. The TOP 5 alone had 48 percent, the TOP 10 more than 68 percent and the TOP 25 almost 85 percent of all viewers of Spanish films.

The difficulties experienced by cinema operators seem to encourage this "blockbuster mentality". In their attempts to sell more tickets and increase their revenues, cinemas tend to put a few "big films" on their programmes that appeal to a wide audience, while rejecting certain smaller, more challenging national or European productions.

2.2.4. The home video market

2.2.4.1. DVDs and Blu-ray experience a slump

According to data published by the UVE in the *Video Yearbook 2011*, the Spanish video market generated revenues of some €222 M in 2012. Revenue from the sale of DVDs dropped by €23 M or 15 percent, while revenue from rentals fell by 24 percent. Revenue from the sale of Blu-ray discs increased by 3 percent. However growth in the Blu-ray market is not able to compensate for the slump in the DVD market.

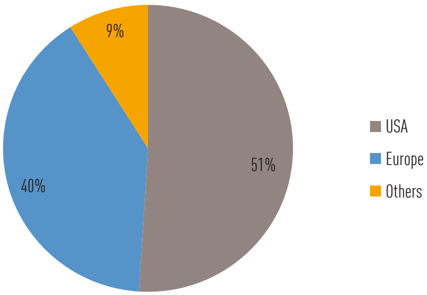
TABLE 30 ► Video market share by country of origin, 2011

	COUNTRY	NUMBER OF TITLES	SHARE (%)
1	USA	1,704	51.22
2	Spain	439	13.20
3	GB	310	9.32
4	Italy	213	6.40
5	France	144	4.33

6	Germany	136	4.09
7	Canada	83	2.49
8	Sweden	54	1.62
9	Japan	50	1.50
10	China	19	0.57
	All titles	**3,327**	**100.00**

Source: International Video Federation, *European Video Yearbook 2011*.

DIAGRAM 22 ➤ Video market share by country of origin, 2011



Source: International Video Federation, *European Video Yearbook 2011*.

2.2.4.2. Online services

Online distribution is not yet significant in Spain. On the one hand, the (potential) providers find themselves facing the effects of the economic crisis and they are also concerned about widespread video piracy and the immense illegal market on the internet. Online sales and online rentals are both stagnating.

2.3. France

2.3.1. The cinema market

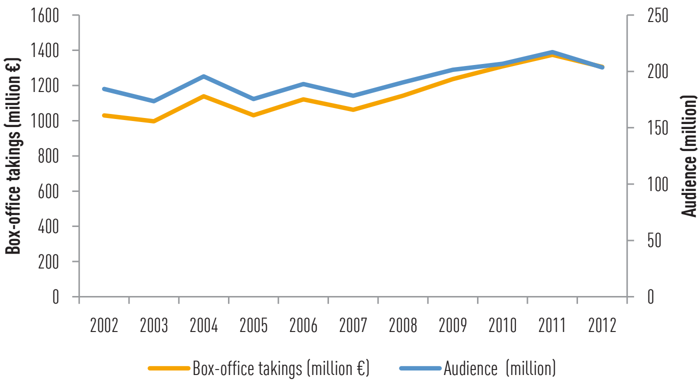
With more than 200 M admissions, 2012 was a successful year for France. 2011 still holds the record with audience figures in excess of 215 M, a figure that is unique in Europe.

TABLE 31 ► Audience figures, box office takings and film releases, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Audience (million)	184.41	173.46	195.53	175.52	188.77	178.41	190.18	201.43	206.81	217.07	203.44
Box-office (million €)	1,030.01	996.11	1,138.94	1,031.24	1,120.72	1,061.52	1,142.21	1,236.41	1,308.92	1,373.92	1,305.63
Film releases	487	509	559	550	589	573	555	588	575	595	615

Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

DIAGRAM 23 ► Box office takings and audience figures, 2002-2012



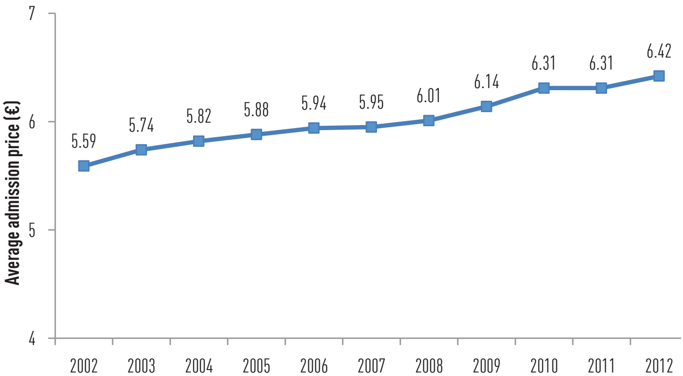
Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

TABLE 32 ► Number of screens and admission price, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of screens	5,264	5,299	5,357	5,308	5,300	5,332	5,424	5,470	5,465	5,464	5,502
of which digital									1,820	3,656	5,016
Average admission price (€)	5.59	5.74	5.82	5.88	5.94	5.95	6.01	6.14	6.31	6.31	6.42

Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

DIAGRAM 24 ► Change in admission price, 2002-2012



Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

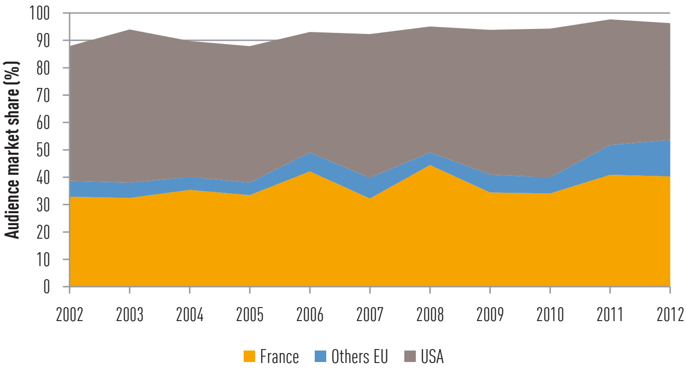
In 2012 both the number of productions (a total of 279) and the number of international co-productions (129) grew to new heights. 203.44 M cinema tickets were sold, the third-best result since 1965. 2012 was the fifth consecutive year of growing audience figures and box office takings. A large proportion of this increase was due to French productions. Purely national productions generated ticket sales of 55 M and majority productions 19 M. In 2012 22 French films, including five co-productions, were among the 50 most successful film releases.

TABLE 33 ► Audience market share in the French cinema market, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
France (%)	32.90	32.43	35.37	33.45	42.15	32.22	44.46	34.43	34.07	40.91	40.3
Others EU (%)	5.75	5.55	4.72	4.56	6.86	7.53	4.58	6.52	5.85	10.86	13.3
USA (%)	49.28	56.01	49.69	49.88	44.06	52.55	46.03	52.90	54.38	45.90	42.7

Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

DIAGRAM 25 ► Audience market share in the French cinema market, 2002-2012



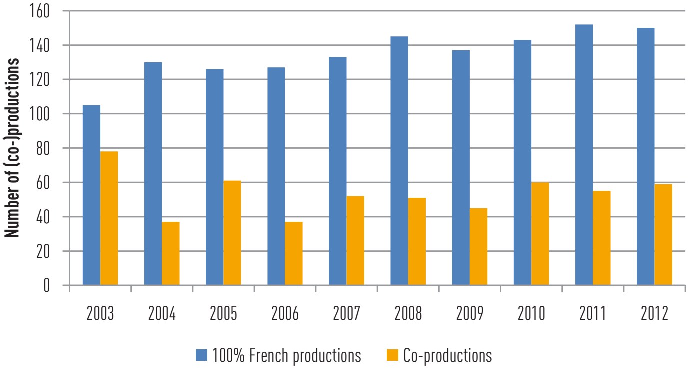
Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

TABLE 34 ► Production of French feature films, 2003-2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
100% French	105	130	126	127	133	145	137	143	152	150
Co-productions	78	37	61	37	52	51	45	60	55	59
Total	183	167	187	164	185	196	182	203	207	209

Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

DIAGRAM 26 ► Number of French productions and co-productions, 2003-2012



Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

TABLE 35 ► Market share of the major EU countries in the French cinema market, 2002-2012

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	million	1.55	1.42	0.96	1.76	1.68	3.59	1.54	1.69	2.32	1.66	1.69
	%	0.84	0.82	0.49	1	0.89	2.01	0.81	0.84	1.12	0.76	0.83
Spain	million	2.53	0.64	1.43	0.90	3.10	0.48	1.50	1.55	1.94	2.49	2.20
	%	1.37	0.37	0.73	0.51	1.64	0.27	0.79	0.77	0.94	1.15	1.09
Italy	million	0.13	0.24	0.78	0.68	1.21	0.71	1.20	0.75	0.68	0.41	1.54
	%	0.07	0.14	0.4	0.39	0.64	0.4	0.63	0.37	0.33	0.19	0.76
UK	million	6.36	9.19	8.97	3.33	4.59	6.14	2.34	6.63	4.22	18.17	17.00
	%	3.45	5.3	4.59	1.9	2.43	3.44	1.23	3.29	2.04	8.4	8.4

Sources: Observatoire, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; CNC, *Bilan 2012*.

2011 was a highlight for cinema in France in general and for French films in particular. The third biggest success in the history of French cinema, *The Intouchables*, was watched by more than 16.5 M viewers or 27 percent of the audience for purely national films or 7.5 percent of the total market. Altogether, the four most successful French films in the international TOP 20 accounted for 29 M or 13 percent of all viewers of French films. With 53 M viewers, the 20 most successful French productions had almost 60 percent of all viewers of French films.

Such a concentration can also be observed in 2012, when a total of 615 films were released. The TOP 10 (1.6 percent of films) accounted for 23 percent of admissions, the TOP 20 for 36 percent and the TOP 50 for almost 57 percent. Publications from the CNC reveal that this concentration of viewers is nothing new. On the other hand, 83 percent of films only achieved 24 percent of ticket sales.

This blockbuster mentality is also reflected in the number of prints for major films. In its *Bilan 2011* the CNC reports that 32 films were released with more than 500 prints, so a total of 25 percent of all prints.

Due to the enormous increase in overall audience figures, American films also attracted more viewers than in the previous year. However, according to CNC, their market share dropped to below 43 percent, a figure that can only be dreamed of by the other major European markets.

TABLE 36 ► TOP 20 International, 2012

	FILM TITLE	ORIGIN	VIEWERS (MILLION)
1	Skyfall	GB	6.80
2	Ice Age 4 – Continental Drift	USA	6.63
3	Sur la piste du Marsupilami	FR	5.30
4	The Twilight Saga: Breaking Dawn - Part 2	USA	4.43
5	Avengers	USA	4.41
6	The Dark Knight Rises	USA	4.40
7	Would I Lie to You? 3	FR	4.11
8	Asterix & Obelix: God Save Britannia	FR/HU/ES/IT	3.78
9	Madagascar 3: Europe's Most Wanted	USA	3.41
10	The Hobbit: An Unexpected Journey	NZ	3.35
11	What's in a Name?	FR	3.34

12	Rebel	USA	3.16
13	Taken 2	FR	2.90
14	The Intouchables	FR	2.82
15	Les Seigneurs	FR	2.73
16	The Amazing Spider-Man	USA	2.54
17	Sherlock Holmes: A Game of Shadows	GB	2.38
18	Rise of the Guardians	USA	2.27
19	The Players	FR	2.26
20	Men in Black 3	USA	2.12

Source: CNC, *Bilan 2012*.

However, these figures are disputed because of the different methods of assessing films produced in the UK but with American finance. The figures calculated by the European Audiovisual Observatory for American films over the past ten years differ from the figures published by the CNC: they are on average to the tune of 3 to 5 percent higher. To a lesser extent, the same applies for productions in Italy, Spain and Germany.

According to surveys carried out by CNC and the European Audiovisual Observatory these three countries only accounted for a small market share from 2003 to 2012 (average figures).

TABLE 37 ► Average market share, 2003-2012

Germany	0.87% (approx. 1.65 M viewers/year)
Spain	0.87% (approx. 1.6 M viewers/year)
Italy	0.35% (approx. 0.67 M viewers/year)
United Kingdom	7.5% (approx. 15.5 M viewers/year)

Source: CNC, May 2013.

2.3.1.1. The cinemas

The clear leader among the major countries is France when it comes to per-capita cinema visits. In France, people visit the cinema 3.4 times per year, in Spain 2.1 times, in Italy 1.8 times and in Germany 1.6 times per year.

Whereas the total number of screens (5,502) has remained stable over recent years, the number of digital screens trebled between 2010 and 2012. With 91 percent of all French screens as at December 2012, their share still lags behind the leaders who have completed their digital conversion. Nevertheless, with 5,000 screens France has more digital screens than anywhere else in Europe.

The dominance of multiplexes has increased in parallel with this digitisation as they are almost 100 percent digital, in contrast to small and medium-sized cinemas. Multiplexes account for fewer than 9 percent of all cinemas but have some 37 percent of all screens and almost 60 percent of all viewers.

2.3.1.2. Art house cinemas and films

Of the 615 films released in 2012, 387 or 62.9 percent were "recommended films" or "films art-et-essai" (art house films). This label was given to 70.2 percent of all French film releases, 73.3 percent of all European films and 85.3 percent of all other non-American/non-European films. In contrast, only 28.5 percent of American productions were given this classification.

Films classified as "art-et-essai" are normally released with a smaller number of prints. Only 5 of these films had more than 400 prints in the week they were released in 2011 and 109 had fewer than 10 prints in the first week.

TABLE 38 ► Audience share for "Art et Essai" and "non-recommended films" in France, 2002-2012

	"ART-ET-ESSAI" FILMS		"NON-RECOMMENDED" FILMS		TOTAL	
	million	%	million	%	million	%
2002	46.75	25.4	137.66	74.6	184.41	100
2003	43.41	25.0	130.05	75.0	173.46	100
2004	47.27	24.2	148.43	75.8	195.69	100
2005	60.57	34.5	114.95	65.5	175.52	100
2006	48.21	25.5	140.56	74.5	188.77	100
2007	33.85	19.0	144.55	81.0	178.41	100

2008	40.49	21.3	149.69	78.7	190.18	100
2009	56.28	27.9	145.22	72.1	201.51	100
2010	54.68	26.4	152.27	73.6	206.95	100
2011	51.55	23.7	165.52	76.3	217.07	100
2012	46.31	22.8	157.13	77.2	203.44	100

Source: CNC, *Bilan 2012*.

2.3.2. The home video market

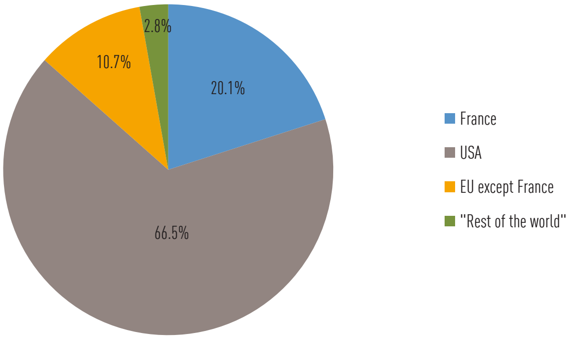
According to information given by CNC and published by IVF in the *Video Yearbook 2012*, comparisons with the previous year show that revenues –19 percent and the number of units distributed –17 percent) decreased after two years of relative stability on the home video market. Stakeholders in the market believe the drop is a consequence of the economic crisis and the prevalence of illegal downloads. The relatively limited availability of blockbusters on video also contributed to the decline.

2.3.2.1. DVDs and Blu-ray

About 15 percent of revenues came from Blu-ray, of which about 14.09 M "stock-keeping units" were sold in 2012. Blu-ray sales have trebled since 2009.

The distribution of cinema films has remained stable with a share of 60 percent. Of these, 23.7 percent were French productions, the highest figure since 2004 due to the success of the film *The Intouchables*. Other European productions accounted for 10.7 percent of DVD and Blu-ray sales, American productions for 62.8 percent and other countries 2.8 percent.

DIAGRAM 27 ► **DVD and Blu-ray sales by country origin, 2012**



Source: CNC, *Bilan 2013*.

However, according to the CNC, revenues from the distribution of film videos have fallen steadily over the past ten years. Since 2006 revenues from DVD sales have dropped by more than 40 percent: from €1.655 BN in 2006 to € 892.6 BN in 2012. The increase in Blu-ray sales from €0.3 M to €223 M during the same period could not compensate for this decline.

Online sales of DVDs and BDs have increased only slightly. The other physical methods of distribution continue to dominate.

2.3.2.2. Online film consumption

According to the CNC's *Bilan 2012*, more than 11,000 different films were available as VoD on the most common platforms. This is equivalent to a 20 percent increase on 2011. The share of the various countries has remained much the same. Films from the USA account for 54.6 percent of all films watched as VoD, films from France for 34.7 percent and films from other countries for 10.7 percent. Revenues from online distribution amounted to €251.7 M in 2012, an increase from €220 in 2011 or +15 percent.

Catch up TV, the free online provision of certain productions such as series within a few days of being broadcast, is now the fastest-growing sector in online consumption and is mainly accessed via computers. In 2012, 2.5 M videos were watched with the aid of catch up TV.

2.4. Italy

2.4.1. The cinema market

In 2011 the national share of box office takings was higher than it had been for more than ten years and, at the same time, overall revenues dropped by almost 10 percent compared with previous years. Taking into consideration unchanged admission prices, the reason for this is the dramatic decrease in the number of viewers. Audience figures decreased by 8.73 M or 7.9 percent and box office takings dropped by over 10 percent.

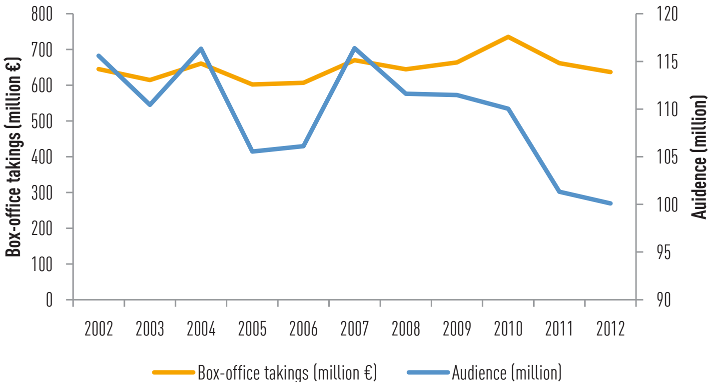
Films from other European countries remained fairly steady at 7 to 8 percent. At the time of printing, the European Audiovisual Observatory had not provided useable results from other European countries. The information published by ANICA could not be verified. There are usually some significant differences between these two sources as a result of the different methods of allocating co-productions, particularly those involving the UK.

TABLE 39 ► Audience figures, box office takings and film releases, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Audience (million)	115.59	110.45	116.34	105.55	106.11	116.4	111.6	111.47	110.04	101.32	100.1
Box-office (million €)	645.01	614.83	660.52	602.01	606.72	669.9	644.5	664.07	735.28	661.55	637.1
Film releases	393	428	392	430	432	398	376	355	345	363	363

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; for 2010-2011: ANICA, *Il Cinema Italiano in numeri 2011*.

DIAGRAM 28 ► Box office takings and audience figures, 2002-2012



Sources: Observatory, *Yearbook 2006, 2011 & 2013*; for 2010-2011: ANICA, *Il Cinema Italiano in numeri 2011*.

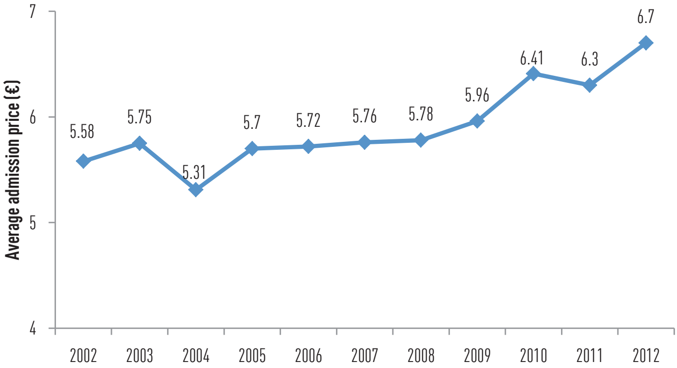
TABLE 40 ► Screen numbers and admission price, 2002-2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of screens	2,839	3,038	3,171	3,794	3,785	3,819	3,847	3,879	3,873	3,837	3,238
of which digital									912	1,485	2,112
Average admission price (€)	5.58	5.75	5.31	5.70	5.72	5.76	5.78	5.96	6.41	6.3	6.7

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus 2012*.

For 2005 the figures for screens differ greatly in the Yearbooks. This probably explains the big jump from 2004 to 2005.

DIAGRAM 29 ► Change in admission price, 2002-2012



Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus 2012*.

2.4.1.1. Cinemas – constant screen numbers and dominance of multiplexes

The number of screens in Italy remained relatively constant. According to the information published in the European Audiovisual Observatory's *2011 Yearbook*, the country has had between 3,800 and 3,900 screens since 2007. In 2012 the number of screens decreased to 3,238. More than one-third of cinemas only have one screen, but there are also 122 multiplex cinemas. The latter have continuously increased their market share and have accounted for over 55 percent of domestic box office takings in 2010. During 2011 a total of 573 cinema screens were digitised, an increase of 63 percent compared with 2010. Nevertheless, Italy still has a great deal of catching up to do, as only 39 percent of its cinema screens have been digitised.

2.4.1.2. Art house cinemas

According to a report by Domenico Dinoia, vice president of the FICE, there were 879 "registered" – so virtually state-recognised – art house cinemas in 2010. They are called *Schermi di qualità* and include about 188 institutions belonging to or run by the church. This means that 22 percent of cinemas in Italy are art house cinemas. For 2010/2011 a total of 439 of these screens benefited from a special programme run by the Ministry of Cultural Heritage for "quality screens" which has earmarked €2,300 per screen or a total of €2.25 m. Art house cinemas have twice as many Italian and European films in their programmes as other cinemas. However, their box office takings in 2009 accounted for only about 15 percent of the total. And in 2009, the ANICA estimated in *Quaderni dell'anica N. 4 cinema di qualità* that the *Schermi di qualità* accounted for approximately 9 percent of revenues and of audience figures in the market as a whole.

A 2010 survey of 755 cinemas showed that most cinemas have one or two to four screens.

TABLE 41 ► Number of screens according to number of inhabitants, 2010

NUMBER OF INHABITANTS	SINGLE-SCREEN	2 TO 6 SCREENS*	MULTIPLEXE	TOTAL
Less than 40,000	177	88	0	265
40 to 200,000	96	154	0	250
More than 200,000	36	149	91	276
Total	309	391	91	791

* With few exceptions, these cinemas have 2 to 4 screens.

Clearly, in the case of art house cinemas most single-screen cinemas are in small towns with under 40,000 inhabitants, whereas multiplexes are mostly located in mid-sized towns and cities. Multiplexes with more than 6 screens are concentrated in towns with more than 200,000 inhabitants. The *Schermi di qualità* are distributed very evenly among the differently sized towns.

Of the 9.2 M viewers who visited art house cinemas in 2009, about 63 percent watched an art house film. Two-thirds of these films were Italian productions.

With regard to the decline in ticket sales, art house cinemas were less affected by the economic crisis.

However, in Mario Manzetti's opinion there are two serious obstacles jeopardising the survival of the *Schermi di qualità:* the slow progress of digitisation and the ignorance of art house cinemas that is displayed by distributors who supply films in large print numbers.

2.4.2. Production and market shares

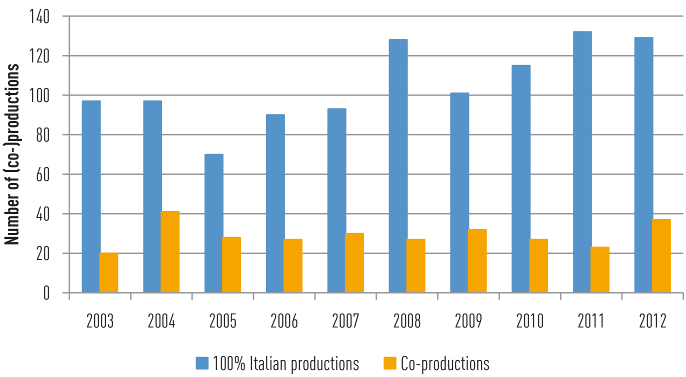
In 2012 there were 129 purely Italian productions or, taking co-productions into account, a total of 166 Italian productions. This was a record result that had only been attained once before in 2008. However, the number of film releases with a total of 363 films was significantly below the average for the last ten years.

TABLE 42 ► **Production of feature films, 2002-2012**

PRODUCTIONS	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
100% Italian	97	97	97	70	90	93	128	101	115	132	129
Co-productions	33	20	41	28	27	30	27	32	27	23	37
Total	130	117	138	98	117	123	155	133	142	155	166

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; ANICA: *Il Cinema italiano in numeri, anno solare 2011.*

DIAGRAM 30 ► **Italian production and co-productions, 2002-2012**



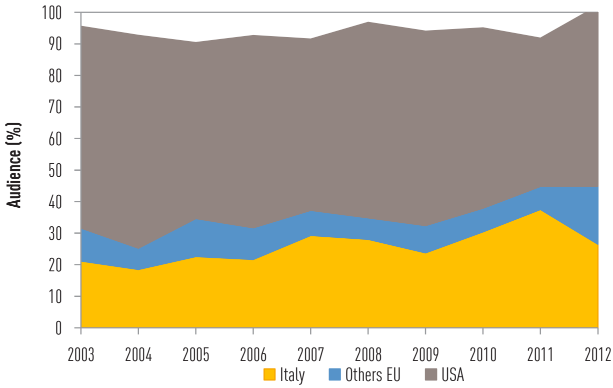
Sources: Observatory, *Yearbook 2006, 2011 & 2013*; ANICA: *Il Cinema italiano in numeri, anno solare 2011.*

TABLE 43 ► Audience market share in the Italian cinema market, 2002-2012

COUNTRY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Italy (%)	22.46	21.16	18.50	22.59	21.67	29.28	28.05	23.76	30.42	37.51	26.50
Others EU (%)	13.87	10.44	6.73	12.04	10.02	7.95	6.80	8.63	7.48	7.30	18.40
USA (%)	56.66	63.96	67.47	55.78	60.94	54.29	61.96	61.63	57.17	47.00	57.20

Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: ANICA (rest of the EU: estimation).

DIAGRAM 31 ► Audience market share in the Italian cinema market, 2002-2012



Sources: Observatory, *Yearbook 2006, 2011 & 2013*; Observatory, *Focus*; for 2011: ANICA (rest of the EU: estimation).

The success of Italian cinema is highlighted by the fact that for 2011 there are six Italian productions in the TOP 10 and ten in the TOP 25 and that all of them were watched by more than one million viewers. Even the number one film is an Italian film: *Che bella giornata* accounted for 6.83 M admissions and thus the highest revenues that an Italian film has ever achieved in the domestic market.

Che bella giornata alone accounted for more than 17 percent of total box office takings for Italian films in 2011. The ten most successful Italian productions accounted for box office takings of altogether more than €185 M or 75 percent for Italian films. With this, they also accounted for 28 percent of total box office takings in 2011.

TABLE 44 ► TOP 20 International and TOP 10 National, 2011

	FILM TITLE	ORIGIN	BOX-OFFICE (MILLION €)
1	Che bella giornata	IT	43.47
2	Benvenuti al Sud	IT	29.87
3	Harry Potter and the deathly hollows – Part 1	USA/GB	22.24
4	La banda die Babbi Natale	IT	21.44
5	Natale in Sud Africa	IT	18.59
6	Harry Potter and the deathly hollows – Part 2	USA/GB	17.62
7	Shrek forever after	USA	17.01
8	Pirates of the Caribbean: On stranger tides	USA	16.96
9	Qualqunque mente	IT	15.87
10	Immaturi - Il viaggio	IT	15.18
11	Maschi contro femmine	IT	13.61
12	Despicable Me	USA	12.53
13	Femmine contre Maschi	IT	11.6
14	The Tourist	USA/FR	11.22
15	Fast & Furious 5	USA	10.9
16	Inception	USA/GB	10.73
17	Rapunzel	USA	10.55
18	Car 2	USA	10.46
19	The Chronicles of Narnia: Voyage of the dawn	GB	10.18
20	The Hangover II	USA	9.35
21	A natale mi sposa	IT	8.12
22	Nessuno mi puo giudicare	IT	7.94

Source: www.mymovies.it

TABLE 45 ► TOP 10 International, 2012

	FILM TITEL	ORIGIN	AUDIENCE (MILLION)
1	Benvenuti al nord	IT	4.288
2	Madagascar 3	USA	3.041
3	The Twilight Saga: Breaking Dawn - Part 1	USA	2.805
4	The Intouchables	FR	2.493
5	Ice Age: Continental Drift	USA	2.322
6	The Dark Knight Rises	USA	2.212
7	The Avengers	USA	2.133
8	Skyfall	USA/GB	1.891
9	Immaturi – Il viaggio	IT	1.852
10	Ted	USA	1.668

Source: www.mymovies.it

TABLE 46 ► Market share of the major EU countries in the Italian cinema market, 2002-2012

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Germany	million	1.53	0.64	0.67	1.03	1.61	1.51	0.47	0.51	1.34		0.5
	%	1.32	0.58	0.58	0.98	1.52	1.3	0.42	0.46	1.11		0.5
Spain	million	8.38	4.86	2.87	4.27	3.31	2.40	4.84	1.20	4.06		0.7
	%	1.33	0.97	1.51	0.53	1.84	0.31	0.64	1.29	0.67		0.7
France	million	8.38	4.86	2.87	4.27	3.31	2.40	4.84	1.20	4.06	7.01	6
	%	7.25	4.4	2.47	4.05	3.12	2.06	4.34	1.08	3.37	7.7	6
UK	million	3.63	3.77	1.79	6.26	2.77	3.69	0.68	4.79	2.09		0.2
	%	3.14	3.41	1.54	5.93	2.61	3.17	0.61	4.3	1.73		0.2

Source: Observatory, *Yearbook 2006, 2011 & 2013.*

In contrast, the average market share of the remaining European countries was rather weak from 2002 to 2012 (no verifiable figures available for 2011). Germany and Spain attained one percent only when there was an exceptionally successful film (*Perfume: The Story of a Murderer* in 2006 and *The Lives of*

Others in 2007). The market share of French films under the same conditions lies at 3 to 4 percent.

2.4.3. The home video market

In 2012 revenues from the home video sector decreased for the eighth consecutive year. They amounted to €292.2 M and were thus more than 65 percent lower than in 2005. Illegal downloads and the wealth of television programmes had a negative effect on sales. According to Univideo the main reason for this decline was, however, the drop in the purchasing power of Italian consumers.

2.4.3.1. DVDs and Blu-ray

The largest proportion of revenues from the home video market is still made up of sales of DVDs. However, in 2012 the number of sold units decreased by 11.2 percent, resulting in a drop in revenues to €191.6 M. Revenues from the rental market decreased by 24.1 percent to €45.8 M.

During the same period, revenues from Blu-ray sales experienced strong growth. An increase of 26 percent meant that in 2011 there were sales of 2.6 M units, but they decreased by 2 percent in 2012. Despite its great popularity Blu-ray was not able to compensate for the decline of the DVD market.

In Italy, unlike in France and Germany, video sales at newspaper kiosks are an important distribution channel. With a market share in excess of 25 percent, Univideo considers kiosks to play a key role in the success of DVD sales. In 2011 more than 16 m units, mainly DVDs, were sold by kiosks, producing revenues of some €130 M.

2.4.3.2. Online distribution

Video distribution through online channels displayed impressive rates of growth in 2011. Compared with 2010, revenues increased by more than 300 percent thanks to the wide range of products available. However, compared with physical distribution, online consumption of videos is still marginal. The use of illegal downloads and the low availability of broadband internet tend to restrict growth in this sector.

3. State intervention in the markets: national and European film support

Film support has been available in many guises ever since films were first introduced for public performance: in the form of special loans, or as (almost) complete funding by national governments, as was the case in Germany from 1933 to 1945. The following observations provide a summary of the different support schemes provided by state or state-associated institutions in Germany, Spain, France, and Italy.

There are two different types of support. Firstly, there is national support with funds that are regulated by relatively strict legal stipulations, with the framework defined by European law. The second type of support in the form of promotional activities also plays an important role.

Support from national support institutions has been supplemented by extensive film support from the European Union. The central element of this is the European Commission's MEDIA programme, which has been replaced by the Europe Creative programme.

3.1. The *Filmförderungsanstalt* (FFA) in Germany

The *Filmförderungsanstalt*[16] (FFA, German Federal Film Board) has its tasks defined by the *Filmförderungsgesetz* (FFG, Film subsdies law) that aims to support German cinema. The FFG first came into force in 1968 and has been amended several times, latterly in July 2010. The FFA is a public body.

With year-on-year growth of over 32 percent thanks to good results in 2011, the FFA's budget was €97.3 M in 2012. However a look back at previous years reveals that the FFA's average budget is more often in the region of €75 M.

16. www.ffa.de/

This sum is based on the film levy that must be paid by cinema operators (1.8 percent to 2.3 percent of revenues, if these exceed €75,000 per year); by video programme suppliers (1.8 percent to 3 percent of revenues) and by distributors of film programmes (depending on the programme).

The FFA's tasks include:

- Measures to support German cinema and improve the structure of the German film industry;
- Support for all economic aspects of the film industry in Germany;
- Improvement of the basic requirements for distribution and market-orientated exploitation of German cinema at home and its economic and cultural distribution abroad;
- An active contribution towards harmonising and coordinating the film support mechanisms provided by regional (*Länder*) and federal governments.

TABLE 47 ► The FFA's main expenses, 2012

AREA OF SUPPORT	MECHANISMS	AMOUNT OF FUNDING 2012
Production	• Reference support • Project support (8% to 10% of production costs) • Subsidies for scriptwriting (between €10,000 and €50,000)	€42.9 M
Distribution	• Reference support • Project support (in the form of a loan or a subsidy)	€10.8 M
Exploitation	• Reference support • Project support • Support for extra prints for small towns • Support for digitisation of screens	€22.2 M (including €10.2 M for digitisation)
Promotion	• In consumer markets • Media support	€14.1 M
Video	• Support for video programme suppliers • Support for video shops	€5.9 M

Reference support and project support are equivalent to automatic support and selective support in France.

It should also be remembered that the FFA is a federal institution which is supplemented by a number of regional film support mechanisms from the individual *Länder*, many of which have more funds at their disposal than the FFA. The amount of these funds is, however, difficult to evaluate as it varies from year to year depending on the number of projects and the FFA budget.

3.2. The *Instituto de la Cinematografia y de las Artes Audiovisuales* (ICAA) in Spain

The *Instituto de la Cinematografia y de las Artes Audiovisuales*[17] (ICAA, Institute for Cinema and Audiovisual Arts) is an autonomous institution within the *Ministerio de Educación, Cultura y Deporte* and is entirely state-funded. Founded in 1985, the ICAA has a legal framework based on a law dated 24 April 1985.

In 2011 it had a budget of €62.5 M.

The ICAA's tasks include:

- Supporting and promoting Spanish film creation;
- Helping to ensure the efficiency of the Spanish film market by guaranteeing competition, considering the requirements of the film industry and supporting new technologies;
- Preserving and supporting the Spanish film heritage;
- Supporting the distribution and exchange of Spanish films between the country's different provinces.

TABLE 48 ► The ICAA's main expenses, 2011

AREA OF SUPPORT	MECHANISMS	AMOUNT OF FUNDING 2011
Production	• Automatic support • Selective support • International co-productions • Support for scriptwriting • Support for project development • Support for animated films	€53.8 M (including €41 M for automatic support)
Distribution	• Automatic support • Selective support • Distribution support for short films	€6.7 M

17. www.mcu.es/cine/

Promotion	• Festivals • Support for restoration and archiving of film heritage	€1.1 M
New technology	• Support for services provided using digital tools	€800,000

In contrast to France, Germany and Italy, there is no national institution in Spain for the promotion of films. This task is performed by the ICAA.

In addition, it should be taken into account that the Spanish provinces make an active contribution to cultural projects and fund part of their production. Exploitation is the responsibility of the provinces, which explains why there is no support for exploitation at national level. The ICAA does not have sufficiently detailed information to provide the exact amount that individual provinces make available to support the film industry.

In 2011 the ICAA did not provide any support for in the area of video. The ICAA stated that the country's economic difficulties had forced it to change its priorities.

3.3. The *Centre national du cinéma et de l'image animée* (CNC) in France

The first national support institutions was the *Centre national du cinéma et de l'image animée*[18] (CNC), which was founded by law on 25 October 1946 and which reports directly to the *ministère de la Culture et de la Communication*. Thanks to the success of its support system, the CNC progressed to become a visionary and important institution that has also had an impact on other European countries. As a public body, the CNC is an independent organisation that funds itself through a legally-regulated tax on cinema tickets, video consumption and the television fee introduced in 2010.

In 2012 the institution's net budget amounted to €770 M.

18. www.cnc.fr

The CNC's tasks include:

- Keeping a close watch on developments in the film industry;
- Contributing at every level of artistic creativity to the funding and further development of film and the art of the motion picture;
- Scrutinising box office takings;
- Gathering and communicating all key data on the industry;
- Preserving and maintaining the French film heritage;
- Fighting piracy.

TABLE 49 ► The CNC's major expenses, 2012

AREA OF SUPPORT	MECHANISMS	AMOUNT OF FUNDING 2012
Production	• Automatic support of film and audiovisual productions • Selective support of film and audiovisual productions	€414.5 M (272.2 M for automatic support; 142.3 M for selective support)
Distribution	• Automatic support • Selective support (new films, independent films, children's and youth films)	€33 M (€24 M for automatic support; €9 M for selective support)
Exploitation	• Automatic support • Selective support ("art-et-essai") • Support for screen digitisation • Support for extra prints	€167.4 M (including 29.3 M for digitisation)
Promotion and dissemination	• Export support • Distribution support • Support for subtitling and synchronisation	€55.7 M
Video	• Automatic video support • Selective video support • Selective support for VoD	€16.5 M
New technology	• Support for cinemas • Video games and innovations • Support for projects with new media	€27.2 M

The focus is clearly on funding for films, for which the CNC has a large budget. The diverse range of available support has enabled film creativity to flourish in France. The two guiding principles of the CNC supplement one another: automatic support helps established producers, rental companies and operators, whereas selective support helps those most in need of support for their innovative projects. This means that all stakeholders in the film industry have access to wide-ranging support, in particular because the CNC's annual budget is on average 5 to 10 times higher than that of equivalent institutions in Germany, Italy or Spain.

In addition to this, three types of tax credits were introduced to support film-making on French terrain (for film, audiovisual and international productions). Estimates suggest that this affected €307.7 M of investment in 2012, for which the state guaranteed tax credits of €55.5 M.

One of the special characteristics of the CNC is its strong commitment to new technology. There is considerable support for the digitisation of works, VoD, video games and new media. The CNC endeavours to take into consideration new forms of film consumption when it comes to tax and subsidies.

The CNC also plays a decisive role in the regulation of the audiovisual sector, for example as an advisory board for the *Conseil Supérieur de l'Audiovisuel* (CSA), an independent authority that protects the freedom of audiovisual communication. The CNC also decides whether a production qualifies as a European and/or independent production.

The department for European and international affairs has the task of cooperating at both European level (EU, Council) and international level (WTO, OECD, Unesco, etc.) with regard to the definition and implementation of multilateral policies in the film and television industries. It analyses and controls all technical and legal issues affecting television.

Its financial contribution to promoting French cinema is given to individual productions, for example for presentations at film festivals, and to the work of UniFrance films, an institution for the international promotion of French cinema.

Besides state support, there is also support at regional level, in particular with regard to production.

3.4. The *Fondo Unico por lo Spettacolo* (FUS) in Italy

In Italy there are two types of film support. On the one hand, there is support funded directly by the *Fondo Unico per lo Spettacolo*[19] (FUS) and organised by the general management for cinema from the *Ministero per i Beni e le Attività Culturali*. On the other hand, there is a considerable range of tax credit options. The latter are not a peculiarity of the Italian system as tax credits are also granted in France, for example. Italy is, however, the only country in which expenditure in the form of tax credits exceeds expenditure in the form of direct public funding.

Based on the law of 30 April 1985, the FUS also supports music, dance, poetry and literature besides films. The share of films in the support budget is 18.5 percent. This was equivalent to €88.7 M, and tax credits amounting to €91.5 M were also granted. In total, Italian cinema received public funds amounting to €180.2 M in 2011.

The tasks performed by the ministry's general management for film include:
- Support for promotion, distribution and development of Italian cinema in Europe and the world;
- Presentation of the variety of cultural identities in Italy;
- Activities to ensure dynamic development and strengthening of the Italian film industry;
- The protection of films by guaranteeing protection of intellectual property rights and the battle to fight piracy;
- Support for studies, research work and statistics on Italian cinema.

19. www.spettacolodalvivo.beniculturali.it/index.php/normativa-fus-e-contributi

TABLE 50 ► **Main expenses for Italian cinema in the framework of the FUS and tax credits, 2011**

AREA OF SUPPORT	MECHANISMS	AMOUNT OF FUNDING 2011
Production	• Reference support • Support for culturally significant films • Support for film writing • Support for debut films and second films • Tax credits	€90 M (€50.2 M in the form of tax credits and €20 M as reference support)
Distribution	• Tax credits	€4.9 M
Exploitation	• Reference support • Project support (art house cinemas) • Tax credits for digitisation	€44 M
Promotion	• Prizes • Festivals • Support for archiving • Support for associations	€9.4 M
External institutions	• Cinecittà Luce • Centro sperimentale • Biennale di Venezia	€31.9 M

In 2011 tax credits were granted in the amount of €91.5 M.

In the production area there were two types of tax credits:

- 15 percent of the total costs or a maximum of €3.5 M for Italian producers and Italian productions;
- 25 percent of the total costs or a maximum of €5 M for Italian producers and foreign productions.

There are also two types of tax credits in the area of distribution:

- 15 percent of distribution costs for productions considered to be culturally valuable;
- 10 percent of distribution costs for other Italian productions.

Tax credits for digitisation in the area of exploitation affect 30 percent of the total costs including costs for the purchase of digital projectors, refurbishing of projection rooms and staff training.

The following external institutions are also funded through the FUS:

- The *Istituto Luce* is an institution responsible for the promotion of Italian films in Europe and non-European countries.
- The *Centro Sperimentale* consists of the National Film Archive, which is responsible for the protection and classification of Italian film heritage, and the National Film School, which offers courses for all professions in the film industry.
- The *Biennale di Venezia* is a charity that organises a huge event every two years in Venice that is dedicated to contemporary art, music, dance and cinema.

3.5. Joint European film support

In the mid-1980s joint European institutions for film support were launched for the very first time. The first initiatives for joint European support policies in film and audiovisual production began back in the 1960s, but the first organisations were not founded until 1987 and 1988.

The European Commission launched the MEDIA programme, which piloted a total of nine support programmes in a three-year trial period starting in 1987. Unlike EURIMAGES, which was founded in 1988 by the European Council, the aim of the MEDIA programme was not to provide support for production. Instead it concentrated solely on marketing, project development and training. From the beginning right up to the present day, EURIMAGES has only supported co-productions that are pan-European. In contrast, the MEDIA programme has always taken on different projects at various times, with the principle of “grouped activities” always providing the basis for its work. This means that a minimum number of applicants from different member states is required before any support even be granted.

The MEDIA programme[20] administered by the European Commission supports and promotes the growth of the film and audiovisual industries in 33 countries: the 28 member states of the European Union, plus Norway, Switzerland, Lichtenstein, Iceland and Bosnia and Herzegovina. The programme runs for

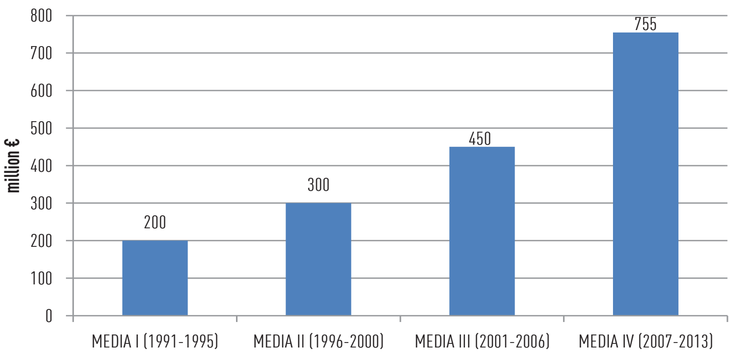
20. http://ec.europa.eu/culture/media/index_en.htm

five to seven years. MEDIA I (1991-1995), MEDIA II (1996-2000), and MEDIA III (2001-2006) and MEDIA IV (2007-2013) were followed by a new programme as of 1 January 2014: European Creative. Every project extension makes it possible to adapt the cultural and political objectives to suit new requirements.

From the very beginning the MEDIA programme had a dual orientation:
- A qualitative orientation in the form of support for the production and distribution of works that are an expression of artistic and linguistic diversity;
- A quantitative orientation to ensure that these works are afforded significance in the international markets.

Over time, the programme's budget has been increased.

DIAGRAM 32 ► Budget of the MEDIA programme, 1991-2013

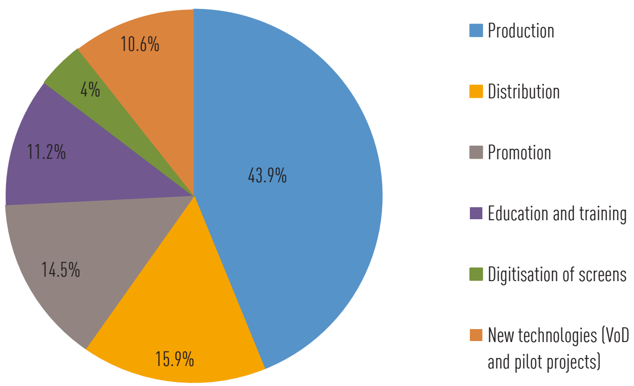


The following six areas are supported under the MEDIA programme:
- Production: the programme funds projects and offers a "Production Guarantee Fund".
- Distribution: the programme supports distribution of non-national European films and television broadcasts and supports re-investment on the part of distribution companies.
- Exploitation: the programme provides financial support for cinemas and for the digitisation of screens.
- Education and training: the programme provides funding for training programmes and for many film schools to ensure professionalism and the

acquisition of technical skills. In addition, the programme supports mobility between countries.

- Promotion: the programme facilitates access to international markets and festivals.
- New technologies: the programme supports development in the areas of Video On Demand (VoD) and digital cinema distribution (DCD) and funds pilot projects.

DIAGRAM 33 ► Breakdown of the €77.5 M spent by the MEDIA IV programme, 2012



In general, the countries studied for this report have benefited greatly from the MEDIA programme. France, Germany, Italy, Spain and the UK have together received some two-thirds of the programme's expenditure. With numerous project initiatives, France received €17 M or 20.7 percent of the €77.5 M spent in 2012.

MEDIA IV finished on 31 December 2013 and its successor programme called *Creative Europe* started on 1 January 2014 until 2020. It gathers the programmes Culture, MEDIA and MEDIA Mundus. This is the fifth EU programme of this type and it retains the same objectives.

However, new requirements and new weak spots have become evident and the new programme should enable the support funds to be adjusted adequately to suit the requirements of the various stakeholders involved. The Europe

Creative budget amounts €1.462 BN: 56 percent are dedicated to the audiovisual sector initiatives, 31 percent to culture sector initiatives and 13 percent to a cross-sectoral strand.

Implementation of the programme is facing new challenges:

- In some countries, public support funds are stagnating or even decreasing. Due to the fragmentation of the market – with small and medium-sized businesses affected by the economic crisis – the provision of private funds tends to be difficult. It is essential that financial support continues.
- At national level, production support usually has priority over distribution support.
- European cinema continues to have little impact on both the European and international markets. The reason seems to be that productions have too little international mainstream appeal.
- The market share of European films is stagnating despite the steady increase in the number of productions.
- The European market has great imbalances because the different countries have varying levels of production capacity and varying language and cultural reach.
- New challenges are also arising in connection with new digital technology. All areas – production, distribution and exploitation of video consumption – are affected by massive changes because of digitisation. The most urgent problems at present include the digitisation of cinema screens and each country's film heritage and the battle against illegal downloads.
- Throughout Europe there is a lack of reliable and verifiable information on the national film industries.

3.6. Institutions for film support

The second mainstay of national European film support comes in the form of institutions for the promotion of national cinema abroad. These institutions are *German Films* in Germany, *UniFrance films* in France, and *Cinecittà Luce* in Italy. In Spain the film support institution *ICAA* is also responsible for promotion.

Promotion covers many activities and fields. First and foremost, it means the presence and support of national films at national and international festivals and markets as well as the making or supporting the production of national films for presentation in other countries. Every institution publishes and distributes detailed information and advertising material on its current national productions and on the economic and cultural success of its films in international markets.

In terms of their organisation, the institutions have different structures.

- **German Films**[21] is an autonomous company. Its shareholders are various associations, including producers and global distributors. Funding is either from the state or the FFA.
  German Films supports advertising campaigns for German films, offers unpublished material (Making-of, Bonus) on the films, proposes German candidates for the Academy Awards and organises several festivals abroad and previews.

- **UniFrance films**[22], the oldest promotion agency in Europe, was founded in 1949 and now has about 900 members from the film industry. The organisation receives its budget from the CNC and works under its auspices. UniFrance films is, however, autonomous and chooses its own president, who is elected for a defined term by the Board of directors.
  UniFrance films offers support for French films on international markets ranging from sales to cinema distribution. The agency also organises festivals in various countries around the world and on in the Internet in order to ensure that new French films have an adequate presence.

- **Cinecittà Luce**[23] is a state-owned company, the main shareholder of which is the Italian ministry for culture. This funds its work by means of an annual subsidy. Cinecittà Luce is responsible for the worldwide promotion of Italian films by organising festivals and advertising campaigns, with emphasis on young Italian directors. One of the special features of

21. www.german-films.de/
22. www.unifrance.org/
23. www.cinecitta.com/

the Cinecittà Luce is its responsibility for looking after the worldwide film heritage, i.e. for its archiving, digitisation and distribution. Up to now Cinecittà Luce has archived 150,000 Italian films. The archive is under Unesco protection.

- **European Film Promotion (EFP)**[24]: a MEDIA project, European Film Promotion is responsible for the promotion of European films at both European and international level. It was founded in 1997 with initially ten members from various countries in Europe and it has its headquarters in Hamburg. Its membership has now risen to 34. It claims that "the EFP has attempted over the years to address the decisive aspect of an improvement in the marketing and promotion of European films. The network makes possible the promotion of European films in the form of joint initiatives. At the same time, it respects and supports the individuality and diversity of national film creation in Europe". EPF focuses on three main areas: talent promotion, networking and access to markets but it has a very limited budget.

  – Talent promotion: the EFP's main activities focus on two projects in particular. As part of the "Shooting Stars" project, new European actors are presented every year at the International Film Festival in Berlin. In the "Ten European directors" project, each year ten new film directors are chosen who then have the opportunity to present their work at the next festival in Karlovy Vary.

  – Networking:

  The "Producer on the move" project provides a platform for producers selected by their home countries to present their projects at the International Film Festival in Cannes and to find new partners for these projects.
  As part of the "Producers Lab Toronto" project, the EFP brings 12 European and 12 Canadian producers together at the Toronto Film Festival, enabling them to make new contacts and exchange ideas and experiences.

24. www.efp-online.com

- Access to markets: the EFP supports the sale of films in various international markets. By organising special screenings for the promotion of films, the project helps to facilitate exports of films to countries outside Europe.
  The EFP also provides support for various films that are in the running for Best Foreign Film at the Academy Awards.

4. Recommendations made by Valentin Pérez

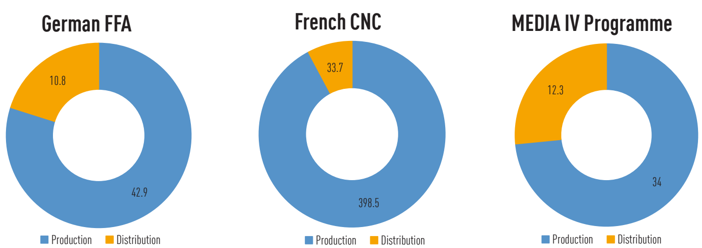
Films and audiovisual works cannot be compared with conventional goods that are subject to the principles of free market access. Although films are available on the commercial market, they are very specific products because of their cultural, linguistic and intellectual value. For this reason it is necessary to have some sort of regulation at both national and European level. This regulation may be in the form of subsidies, quotas or co-production agreements. European cinema has to be defended and supported by policies that aim to compensate for aspects that are incompatible with the free market and take into consideration its structural and ongoing requirements.

The following recommendations address four main objectives.

4.1. Creating a better balance between production support and distribution support

An overview of the national budget and the budget of the MEDIA programme reveals the structural imbalance between distribution support and production support, with preference being shown to the latter. This trend can be observed in the four big markets surveyed in this report and in the MEDIA IV programme.

DIAGRAM 34 ► Compared FFA's expenditure, CNC's expenditure and expenditure as part of MEDIA IV (million €), 2012



It is obvious that support for film creation is of central importance for the development of innovative film works and it is essential that all European producers continue to be supported in their activities.

However, as described above, over the last few years there has been an inflationary rise in the number of productions, and as a result distribution support is now quite inadequate. It must be possible to ensure that, for the numerous new European films, there is not only proper distribution at national level but also support for export at European and global level.

Despite the successful distribution of a few films with a large budget, other productions with smaller budgets do not receive enough funding to allow the kind of widespread distribution that would give these films a stronger presence and increase their profitability. An increase in distribution support would benefit those films that Pascale Ferran label as "films du milieu", i.e. films with a budget of between €3 M and 10 M that have greater export potential than "smaller" productions and usually have a higher artistic value.

Financial support must be made available for films with high production costs so that these films can be shown more extensively at national, European and international level.

Recommendations in this respect include the following:

- Coordinating and harmonising national support systems. In general, the individual systems focus on tried-and-tested methods of production support. Dialogue could help to define the amount of distribution support that would be needed to enable more challenging films to reach a wider audience.
- Taking into account the level of distribution support needed in the framework of EU support and an increase in distribution support in the MEDIA programme. The EU support should act as an "additional service" for projects that require higher levels of support. As national and, in some cases, regional systems primarily support production when they fund films, it would make sense for EU support to focus more on distribution, in order to compensate for the deficits in the national systems. An advantage here is the key position of the EU, which can act as a focal point for distribution support for the countries of Europe.

- Assessing and evaluating support policies. Assessment criteria should be defined in order to ensure and compare the effectiveness of production and distribution support.

4.2. Support for cinema operators in return for regulation of cinema programmes to ensure European films have a stronger presence in Europe

4.2.1. Digitisation

Despite the diversity of new digital technologies, which are paving the way for the development of new platforms, the cinema is still a preferred place for discovering new films. Whether they are very commercial films or more challenging productions, the cinema still provides the starting point for a film's overall success.

Film enthusiasts are encouraged to go to their favourite cinemas by word-of-mouth advertising or by reviews in printed or online newspapers. These kinds of recommendations and media coverage are crucial to the success of a film and even for the success of a cinema.

Nowadays, there is help available for cinema operators at regional, national and European level.

Over the last five years, digitisation of cinema screens has been a major challenge for cinema operators. In return for a considerable financial investment they are guaranteed better projection conditions, simple, global distribution methods and improved picture quality. The digitisation of European cinemas is by no means complete and clearly it is usually the "big" operators, i.e. multiplex cinemas that convert their screens.

To ensure that digitisation becomes widespread, it is recommended that the support in this field is extended to every type of cinema.

Many of the traditional production and distribution methods are undergoing massive changes. This applies in particular to photographic film production and transport. Digital alternatives mean that the "regional effect" of traditional exploitation is disappearing.

A certain degree of vigilance is required in light of this monopolisation of the projection format.

4.2.2. Art house cinemas

There are various labels in Europe, such as "art-et-essai", "Arthouse" and "Schermi di qualità", that are used to denote cinemas that show these kinds of films. But different countries use different classification criteria. In France, cinemas are awarded the "art-et-essai" label by the president of the CNC upon the recommendation of a committee of experts. In contrast, in Italy and Germany the cinemas themselves make the classification and decide whether or not they are worthy of the label.

The introduction of uniform European criteria would be one way of giving these labels more meaning and respect.

It is also recommended that extensive financial support should be maintained for cinemas that contribute to the cultural diversity of European cinema and take a great financial risk by listing films on their programmes that are possibly difficult, challenging, experimental or alternative productions. In this respect, the CNC's system seems to be fair and efficient: cinemas that show the least mainstream films receive substantial financial support in return. In 2011 the CNC made available the substantial sum of €68.6 M, almost as much as funding for automatic support (€67.95 M)

4.2.3. Regulation of cinema programme selection

Regulation of programme selection by individual operators would be one way of ensuring that European films have a stronger presence in cinemas and dealing with any recurring problems.

In many European countries there is a trend towards simultaneous showing of commercial films in order to ensure or maximise profits. Certain operators decide to show the same film simultaneously in several of their cinemas, at more or less the same showing times, in order to reach the widest possible audience and sell as many tickets as possible.

At the same time more challenging films are taken off the programme after just a few days if they do not attract sufficient numbers of cinema-goers within the first few days.

These two trends usually have a negative effect on the “smaller” art house films, which generally have a higher artistic value but only generate low box office takings.

In France the CNC has done some pioneering work with regard to regulating programme selection. Certain cinemas are legally obliged to include more challenging European films and works by independent distributors on their programmes and to limit the number of simultaneous showings. However, the CNC is more concerned with protecting the identity and reputation of the affected operators as promoters of challenging European films than with fighting the trend towards uniform programmes and the over-representation of commercial films.

The recommendations below are intended to counteract the trend towards simultaneous showings and rapidly dropping less popular films:

- Operators who receive public support at national or European level should be obliged to limit the number of simultaneous showings and not be permitted to drop any films during the programme week.
- All operators should be made aware of these problems and their potential effects on European cinema.

4.3. Stimulating new distribution channels through digital technology

4.3.1. A chronology of exploitation

Today's huge range of possibilities for film consumption is very beneficial for the industry. There are now so many channels that can be used by films to reach their audiences and make their profits, including cinema, DVD, Blu-ray, VOD and television, sales and rentals.

The cinema is still the preferred location for film releases. The other methods of exploitation are not necessarily used in every country to the same extent.

So it is vital to consider the chronology necessary for exploitation in the context of digitisation. All representatives of the industry should be involved in the discussion. The new media need to be seen as alternative distribution methods that make it possible to find larger audiences for European films and hence make them more successful. Films also need to be exploited at just the right moment – a moment that should be agreed by everyone involved.

4.3.2. Online distribution

Online distribution is a very promising possibility for the future. As already discussed, video services and VoD in particular is becoming increasingly popular with consumers in France, whereas in Spain it still only plays a marginal role. As previously mentioned, the use of online services grew by 55 percent in just one year in Germany and by 300 percent in Italy.

Films can be watched in any location with internet access and indeed more cheaply than with physical videos, DVDs or Blu-rays. There is no doubt that online distribution advance is set to become the preferred form of distribution in the next few years. This trend is likely to become even more pronounced when VoD becomes a subscription service (SVoD) in Europe. This has been remarkably successful in North America over recent years.

So it is vital to provide support and funding for the VoD sector. The development of high-quality online products, like EuroVoD, with competitive prices and good picture quality would be an effective way of fighting illegal downloads, encouraging a different understanding of European cinema and generating profits for the video industry.

The VoD sector could also provide a way of compensating for the difficulties that face non-mainstream films, including small numbers of prints, low-budget advertising campaigns and films being dropped very quickly. Online distribution gives a second chance to films that had little success in the cinema.

One possible approach would be the creation of a cross-European, bundled online offer for the art house market to amalgamate the platforms that already exist at national level

4.3.3. Programme selection on television

Television is widespread in every European country, so public broadcasting companies should include more European films in their programmes. These companies should be obliged to broadcast high-quality European films that have proven their worth in cinemas.

Some European TV companies – such as Arte – have already proven their willingness to do this, but national public broadcasters also need to get involved, as they represent major distribution channels.

4.4. The cultural significance of films for Europe's image

It is not possible to precisely evaluate the cultural significance of films for Europe's image, and very few studies have been carried out in this respect. On 27 October 2010 Wim Wenders, the German film producer and president of the *European Film Academy*, gave a speech to the European Commission on this subject. It included the following statement: "Culture as a whole, and in the widest sense, is the glue that forms identity and that determines the soul of Europe. And cinema has a privileged position in that realm: there simply is no more efficient and popular way to spread and communicate social, moral and cultural messages. [...] Film does not only project pictures, it reflects the very picture of our society, with its values, habits, hopes and fears."[25]

With these words, Wim Wenders expressed the reality that often does not receive enough attention in the promotion of European cinema. This is the fact that European culture, its eclecticism and its different forms fascinate, attract and interest people all over the world; and cinema is an essential mirror that reflects this culture.

European cinema has repeatedly proven that it is indeed the form of artistic expression that best depicts social and cultural realities. Many European producers, such as Fatih Akin, Robert Guédiguian, Ken Loach and Cristian Mungi have made films that convey knowledge and insight into the cultural and social realities of their particular countries. However, European cinema does not limit itself to national film works. Its strength also lies in its inherent cultural exchange, its cosmopolitan stance and its travel-hungry film producers and culturally mixed actors, such as Isabelle Huppert, Tahar Rahim or Kristin Scott-Thomas. Even non-European film producers such as Woody Allen, Lou Ye or Asghar Farhadi wanted to capture this special cultural aspect in their films shot in Europe.

Prizes and awards for European films also play an important role, but they should be given greater prominence so that they are afforded greater prestige. Every year, the *European Film Academy* (founded 1988)[26], acknowledges the latest achievements of European cinema by presenting awards to films, directors, actors and film technicians. Modelled on the *Academy Awards*, these awards are based on contributions by film industry representatives who thus acknowledge the work of their colleagues. The academy has many gifted ambassadors – including the likes of Mads Mikkelsen, Cristian Mungiu and Maria de Medeiros – but it is still not generally well-known and needs to be strengthened. In addition, the LUX prize[27] from the European Parliament is awarded to honour works that express the cultural diversity of Europe. This is a very prestigious prize, despite being little-known amongst the general public.

25. "Image and identity of Europe. The role of cinema and of film literacy", Speech byn Wim Wenders, President of the European Film Academy, Public Hearing, Brussels, 27 October 2010.
26. www.europeanfilmacademy.org
27. www.luxprize.eu

European cinema is far from being focused exclusively on commercial interests. It stands out because of its creativity and outlook. The charisma and attractiveness of Europe depends on European cinema, and this influence on the cultural image of Europe should be given more attention when creating and promoting films. The distribution and export of European cinema should not only be considered from the financial point of view, but attention should be paid to the cultural benefits that it brings.

Wim Wenders made it clear how necessary it is to strengthen Europe's special cultural aspect. His words are still valid today and should be more widely acknowledged: "Movies helped to invent and to perpetuate the 'American Dream'. They can do wonders for the image of Europe, too. If only Europe would make more use of its very own cinema for its own image, as well as for its identity. If only Europe would not be so shy about its greatest asset: culture, and, yes, film culture!"[28].

28. Speech by Wim Wenders, *op. cit*.

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THANKS

INTERVIEWS, INFORMATION AND DOCUMENTATION GO TO:

Julia Arika, FFA, Berlin
Borja de Benito Porto, FECE, Madrid
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GLOSSARY AND ABBREVIATIONS

ANICA, Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediale (Rome, Italy)

BFI, British Film Institute (London, UK)

BVV, Bundesverband Audiovisuelle Medien (Hamburg, Germany)

CICAE, Confédération internationale des cinémas art-et-essai (Paris, France)

CNC, Centre national du cinéma et de l'image animée (Paris, France)

EU, European Union

FAPAE Federación de Asociaciones de Productores Audiovisuales Españoles (Madrid, Spain)

FECE, Federación de Cines de España – FECE (Madrid, Spain)

FFA, Filmförderungsanstalt (Berlin, Germany)

FICE, Federazione Italiana Cinema d'Essai (Rome, Italy)

FUS, Fondo unico por lo spettacolo (Rome, Italy)

ICAA, Instituto de la Cinematografía y de las Artes Audiovisuales (Madrid, Spain)

IVF, International Video Federation (Bruxelles, Bergium)

MUC, Ministerio de Educación, Cultura y Deporte (Madrid, Spain)

Obs/Observatory, European Audiovisual Observatory (Strasbourg, France)

SEVN, Syndicat de l'édition de la vidéo numérique (Paris, France)

SPIO, Spitzenorganisation der Filmwirtschaft (Wiesbaden, Germany)

UVE, Unión Videográfica Española (Madrid, Spain)

DCI, Digital Cinema Initiatives

EST, Electronic Sell-Through

VoD, Video on Demand

VPF, Virtual Print Fee

AUTHORS

Josef Wutz

Josef Wutz has been active for more than thirty years in different areas of the film business (among others film distribution/video marketing of art-house films, production of low-budget film productions), and he is an expert for the international distribution of films from Europe.

with the contribution of:

Valentin Pérez

Valentin Pérez is studying at the Centre de formation des journalistes in Paris, he holds a master's degree from the Institut d'études politiques (Sciences Po) in Paris.

ifa Institut für Auslandsbeziehungen

The **ifa (Institut für Auslandsbeziehungen)** is committed to a peaceful and enriching coexistence of people and cultures worldwide. It is promoting art and cultural exchange in exhibitions, dialogue and conference programs. As a competence centre for foreign cultural diplomacy, the ifa is connecting civil societies, cultural practices, art, media and science. It is initiating, moderating and documenting discussions on the international cultural relations.
The ifa has a global network and counts on long-term cooperation. It is supported by the Federal Foreign Office of the Federal Republic of Germany, the state of Baden-Württemberg and its capital Stuttgart.

uniFrance *films*

Promoting French cinema worldwide

Founded in 1949, UniFrance films is a non-profit association, based in Paris, with agents in New York, Mumbai, Beijing and Tokyo, promoting French cinema worldwide. This association gathers more than 900 French industry professionals (producers, talents, sales agents, etc.) who promote and support their films with respect to the audiences, industry and international media.

The main goals of UniFrance films mission are:

- Organising the biggest French cinema market in Paris every year: "Rendez-vous with French Cinema"; attending the most important international markets (Cannes, Berlin, Toronto, Los Angeles, Hong-Kong) and supporting international distributors for theatrical releases of French films and major film festivals showcasing new and recent French cinema (Cannes, Berlin, Toronto, Venice, Locarno, San Sebastian, Pusan, etc.).
- Increasing awareness of French cinema among international press (organising some regional press junkets with French talents), international exhibitors (conventions in 12 countries) and film buyers for Web and VOD.
- Producing French film festivals in theatres from different countries (United States, Germany, Italy, UK, Russia, Japan, China, etc.) and online (MyFrenchFilmFestival.com).
- Organising master classes with French directors in film schools and international universities abroad.
- Promoting and subtitling French short films for film festivals, markets and festivals online.

Notre Europe – Jacques Delors Institute is the European think tank founded by **Jacques Delors** in 1996. Our aim is to produce analyses and proposals targeting European decision-makers and a wider audience, and to contribute to the debate on the European Union.

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All publications are available free of charge, in French and English, on our **website** and through the social networks. Notre Europe – Jacques Delors Institute is wholly independent of party political influence and economic interest.

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DISSEMINATION OF EUROPEAN CINEMA IN THE EUROPEAN UNION AND THE INTERNATIONAL MARKET

This report by Josef Wutz aims to take stock of the dissemination of European films in Europe and in the world from 2002 to 2014. To do so, it takes all those working in the film industry into account: filmmakers, distributors, cinema operators, but also video content providers and public bodies providing funding to films. It focuses on four countries: Germany, Spain, France and Italy. Valentin Pérez then makes recommendations aiming at raising the profile of the European film industry.

Four major current trends facing the European film industry can be considerable challenges: a record high of European productions despite stagnating market shares, the digitisation of theatres, the preservation of artistic diversity and quality and the emergence of new consumer patterns for European films.

These new trends have a cost that is partially covered with public funding, which has reached disparate national levels and concerns all of these bodies assisting all sectors: distribution, exploitation, video, promotion, new technologies, with a focus on production. The dissemination of European films in Europe and around the world can be improved if markets and public funding can properly adapt to match new needs.

In this regard, the report makes four main recommendations:

1. Balance out production and distribution funding;
2. Assist cinema operators in imposing, in return, regulation of the programming of European films in Europe;
3. Stimulate new distribution channels taking account of digital technology;
4. Take the cultural contribution of films into consideration in Europe's image.

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JACQUES DELORS INSTITUTE

ISSN 2257-4840

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